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GUIDE

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September 2015

Investors never lose
interest in Russian forests

12+

Far East
is getting
closer

Sochi
International
Investment Forum

Austrian Ambassador Emil Brix:
Austria stands for further
dialogue with Russia





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**International
standardization —
requirement
of global economy**

03.09

Moscow, Russia

Presentation of the economic, industrial and investment potential of the Pskov region

04.09

Moscow, Russia

Presentation of the economic, industrial and investment potential of the city of Sevastopol

06.09

Russia

Day of Oil and Gas Workers

14.09

Moscow, Russia

Russian-Austrian Business Forum in the format of an expanded meeting of the Russian-Austrian Business Council

24–26.09

Rostov-on-Don, Russia

BRICS Young Scientists and Entrepreneurs International Forum

25–26.09

Dmitrov, Russia

1st Dmitrov International Economic Forum “Development of Small Towns as Russia’s Revival Basis”



06.10

Yerevan, Armenia

Meeting of the Council of Heads of CIS Chambers of Commerce and Industry

09.10

Moscow, Russia

Presentation of the economic, industrial and investment potential of the Republic of Ingushetia

13.10

Minsk, Belarus

2nd Austrian-Belarusian-Russian Business Forum

15.10

Moscow, Russia

Mercury Club meeting. Banks and Financial Market of Russia. Problems and Solutions

21.10

Moscow, Russia

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27.10

Moscow, Russia

Presentation of the economic, industrial and investment potential of the Republic of Udmurtia

23–27.11

Moscow, Russia

2015 Forest and Man International Forum. Woodworking



28.11–01.12

Doha, Qatar

Russian Business Week in Qatar

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The 5th September —

r u s s i a n b u s i n e s s **GUIDE**

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Vladimir Putin visited International Aviation and Space Salon MAKS-2015

The President took part in the event's opening ceremony. He stated that a number of major agreements are set to be signed during the salon. They include agreements to deliver our modern Sukhoi Superjet-100 aircraft. Contracts for these planes will be signed with the State Transport Leasing Company, Yamal Airline, and Kazakhstani airline Skat. Russia is open for productive business cooperation in the aerospace industry. "We will actively promote

our passenger and transport planes at home and on markets abroad. We will continue developing our country's unique capabilities in the space sector, and will bolster our leading position in production of defence-sector aviation technology.

To do this, we are modernising facilities in our aircraft manufacturing and space and rocket sectors, introducing modern equipment, improving the components we use, and raising the quality and characteristics of the goods we produce. You will be able to look over many of the newest models our aircraft manufacturing and space sectors have to offer here at the salon. For reference, I note that in 2014, our aircraft manufacturing sector's industrial output increased by 20 percent. We conducted 38 rocket launches, including two launches of the Angara rocket, and placed 80 satellites in orbit. I am sure that the extensive exhibition of historical aircraft will capture visitors' attention. A restored Soviet high-altitude MiG-3 fighter and the Russian multipurpose MiG-35 fighter will take to the skies together. I am sure that this will be a real present for all aircraft fans," the President said.



Dmitry Medvedev simplifies customs procedures for business

Russian Prime Minister Dmitry Medvedev has signed an order on the Adjustment of the Roadmap for Improvement of Customs Administering, says a report posted on the government website.

The amendments made to the roadmap aim to accelerate and optimize customs import and export operations in the Russian Federation. That will create conditions for better investment climate in Russia. The order added 15 provisions to the roadmap.

For instance, the roadmap now includes measures improving and optimizing customs operations at airport and seaport checkpoints and, concerning customs transit procedures, payment of customs duties, refund of customs duties, and simpler and rapider issue of export/import permits.

Also, the roadmap stipulates the development and approval of a development plan for the Russian national segment of the integrated information system of foreign and reciprocal trade in the Customs Union due to the introduction and development of the single window mechanism in member countries of the Eurasian Economic Union.

Speaking of the order at a government meeting, Medvedev said, "This is one of our first roadmaps. All businessmen give much attention to customs procedures, customs formalities, thinking, not without reason, that business climate depends on these formalities."

In his words, there are lots of problems in this area and the government is interested in simpler and rapider customs clearance at seaports and the reduction of service fees to those of similar services in ports of other countries. "Alas, we are far from complying with the world standards everywhere. Costs are growing, transportation tariffs are growing in a number of cases. Definitely, we cannot be happy with this, so we need to readjust the activity of controlling bodies, primarily the customs service. Transit service must be more modern and convenient, including e-declarations. We need a new edition, so it has been adopted. Decisions of the government and relevant ministries on these issues must be made before the end of this year."



Rosatom to present achievements of 70 years of atomic industry at Manezh

An exhibition titled "70th Anniversary of the Atomic Industry. Chain Reaction of Success", will be held at the Manezh Exhibition Center in Moscow on 1–29 September, the Rosatom press service has said. The jewel of the exhibition is the legendary thermonuclear bomb AN-602 (known as Kuzma's Mother, Tsar Bomb), the most powerful weapon in human history and the primary argument of Nikita Khrushchev. The unique exhibit will be put on display in Moscow, next door to the Kremlin, for the first time ever. It will be transported from the Russian Federal Nuclear Center in Sarov late in the evening of August 22 by a special vehicle.

The media will have a chance to photograph the Kuzma's Mother delivery to the Manezh Exhibition Center, and the time of this operation will be announced later, the communications department of state corporation Rosatom said. The exhibition will present the past and the future of the Russian atom. It will display personal belongings of the founding fathers of the industry, declassified archive documents, other exhibits, and mock-ups of reactors, a nuclear power plant and an icebreaker kept at enterprises of the industry and state-owned museums. The exhibition themes will include Uranium and Uranium Geology, F-1, A-1 Reactors and War-Grade Plutonium, the World's First Nuclear Power Plant and the Lenin Nuclear-Powered Icebreaker.



Quality Mark comes back to Russia

A meeting with Russian Quality System (Roskachestvo) representatives has taken place at the CCI of Russia. The sides exchanged views on the monitoring and appraisal of goods and services quality and the awarding of Russia's Quality Mark to goods and qualities that voluntarily pass certification and meet Roskachestvo standards and localization requirements.

Alexander Rybakov, CCI of Russia vice-president, commented on the meeting:

"Opinion polls show over 80% of Russian citizens are awaiting and demanding larger sales of goods bearing the Russian Quality Mark. The issue is especially topical against the backdrop of imports substitution tasks Russia has been resolving. The CCI of Russia has developed a clear system of the appraisal of goods and services quality. The Chamber has long been work-

ing on worthy quality of domestic goods, and this work has been efficient. The Chamber has good opportunities in this area, and we are ready for active cooperation with Roskachestvo in every dimension.

The Golden Mercury project initiated by former CCI of Russia President, late Evgeny Primakov, has been successfully im-

plemented by the CCI of Russia for over twelve years. The unique project aims to award best Russian companies for high quality of their products and services in several nominations. This is one of the best contests in terms of the coverage of small and medium business and the interest in it, the contest is very popular with Russian enterprises and companies.

In the field of improving quality of Russian products, the CCI of Russia is interacting with the Consumers Union of Russia, the Union of Russian Independent Retail Chains, the Association of Retail Companies, the Russian Union of Leather and Show Makers, the Russian Union of Entrepreneurs of Textile and Light Industry, the Association of Producers and Consumer of Oil-and-Fat Products, the Fisheries Union, the Association of Food Manufacturers and Suppliers Rusprodsoyuz and others."



Russian Geographical Society turns 170

The Russian Geographical Society celebrated its 170th anniversary in August. According to Society president Sergei Shoigu, international cooperation has been a priority since the day the Russian Geographical Society was launched. “Suffices to say that the Society organized its first international expedition during its third year,” he said. He also said that the Society’s history had very old and profound traditions that were laid by great travelers, scientists, researchers, and, most importantly, great citizens of our country, people who completely devoted themselves to the exploration of Russia and its peoples.

The Russian Geographical Society gave birth to and promoted many projects. How can we forget the beginning of the first icebreaking fleet, nature reserves, ethnic studies, environmental projects and what is nowadays called ‘population census’? All that originated from the Russian Geographical

Society thanks to its founders, researchers and scientists.

During the celebrations, Russian Geographical Society Trustee Council Chairman Vladimir Putin took part in a Society expedition studying antique ships that sank in the Black Sea.



Fishing industry strategic to Russia

The fishing industry of Russia and its problems have lately caught attention of the authorities, business and the general public. State Duma deputy Irina Yarovaya and Federation Council member, deputy chairman of the Federation Council Committee on the Agrarian and Food Policy and Nature Management Boris Nevzorov met in Kamchatka with fishermen. The roundtable was devoted to problems of the fishing industry.



State Duma Security and Anti-Corruption Committee chairperson Irina Yarovaya has commented on outcomes of her meeting with the fishermen and problems faced by the fishing industry.

“Unfortunately, Kamchatka fish products are little known in Russia. This situation must be changed drastically. Bearing in mind the tasks of the substitution of imports and food security, an expanded meeting of the State Council will be held this autumn to focus on fishing industry issues. I am a member of the working group preparing this meeting, for instance, I am making an

analysis of the normative base. It is important to hear before this forum how the fishermen are doing, what problems they have and how they see their solution. Fishing industry matters are vital to the country. I believe that this industry is as strategic as the oil and gas sector and gold mining, this is a major national resource that must work to the benefit of the population.”



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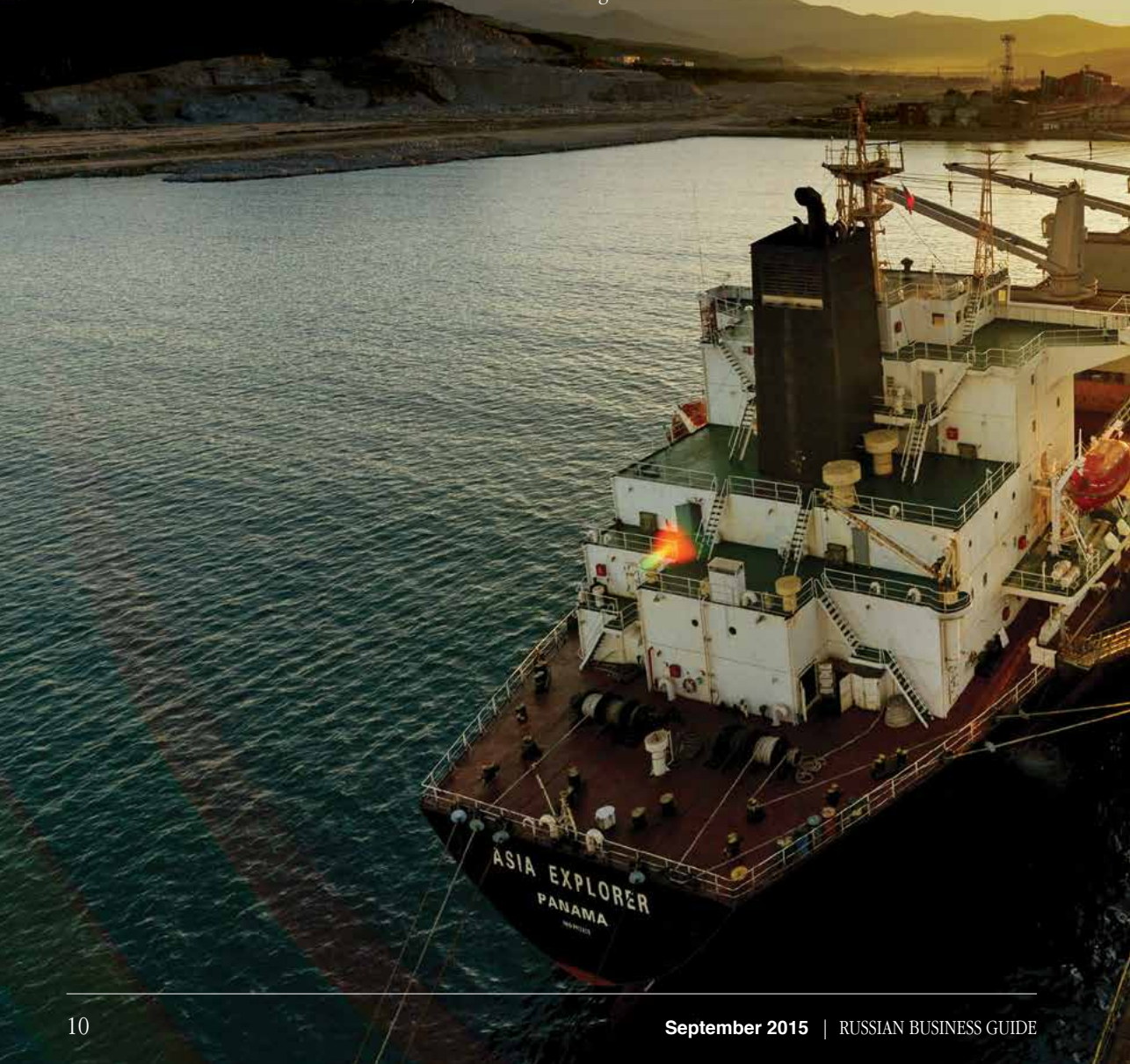
Eastern Economic Forum: a step towards the future

The Eastern Economic Forum will be an organic and logical addition to the other three events, namely Krasnoyarsk (February-March), St. Petersburg (June) and Sochi (September) Forums. This format gives every large region of the country an opportunity to present investment projects and to discuss regional economic growth prospects.

The event will present the Far Eastern District as an example of the new development model aimed to boost Russia's integration in the Asia Pacific region through accelerated international collaboration, Russian and

foreign investments and technologies, advanced practices, and new formulas of interaction between the authorities, business and society.

It should be noted that the very fact of holding the Eastern Economic Forum in Vladivostok demonstrates the special significance attributed by Russia to interaction with countries of the Asia Pacific region. A new equal system of international economic relations is taking shape in the east, and our country is actively contributing to its formation.



Vladimir Putin, President of the Russian Federation

At the same time, there are strategic issues that we cannot overlook in the current circumstances and turbulent processes taking place in the Russian and global economies. Without question, developing the Far East is one of our priorities. We have given this matter much attention and put together the necessary plans.

I want to note that despite the current difficulties, the Far East produced some good results last year. Industrial output was up by 1.7 percent for the country as a whole last year, but in the Far Eastern region it increased by 5.3 percent. Agriculture grew by 3.7 percent for the country as a whole, but it was up by 18.7 percent in the Far East. These figures show that the region has good potential that we must use to best effect.

The gradual increase in the number of births also fits with these trends. This is a social rather than economic indicator, but it also reflects people's feelings about what is happening in the region. For the first time in many years, natural population decline was less than natural population growth by a ratio of 1.5.

The number of deaths in the Far East was lower than the number of births. The population outflow from the region has continued, but at a slower pace, and this too is a positive result. <...>



The heads of the Far East's regions came up with the idea, which you supported, of holding the Eastern Economic Forum in Vladivostok. The first forum will take place on 12–15 August. I hope very much that this will become a good platform for showcasing the Far Eastern Federal District's development opportunities, highlighting the region's advantages and finding new partners to help us to resolve the tasks facing what is one of Russia's key and most strategically important regions.

<http://kremlin.ru>

Sergei Katyrin, President of the CCI of Russia



Statistically, 4.5% of the country's population lives in the Far Eastern Federal District. Yet the territory occupied by the Far Eastern Federal District exceeds 36% of the entire territory of Russia. There is a natural population growth but the general situation remains alarming due to the migration processes that keep reducing the population of

the sub-region. So, there is a problem of preserving labour force, residents and creating relevant conditions. And its solution depends on the ability to provide regional residents with worthy jobs and salaries and to offer normal conditions for their life and development. Clearly, businessmen should contribute to that. With these facts in mind, we can speak about tasks faced by chambers of commerce and industry. Let's begin with saying that we have clearly defined points of application of our forces. At the first stage, I believe we should start with information support and other assistance. Firstly, we need to speak about general opportunities provided by the rapid development territories and investment project prospects. Secondly, via the network of Russian chambers we can attract prospective investors and provide them with maximally accessible and

specific information. I know there are entrepreneurs in Japan, South Korea and China interested in developing business in this region. Naturally, we do not forget about local businessmen either, lots of them have funds for investment of this scale. Another important task is to render the utmost assistance to small and medium business, especially at the initial stage of the work on these projects. We should not expect that every task will be accomplished nice and easy. At least, because similar projects exist and are being implemented by our neighbours, South Korea and China. So, we should be prepared to work in a competitive environment. Yet the fulfilment of these projects will enable us not just to develop the Russian Far East but to do so using advanced technologies and stronger mutually advantageous cooperation between business and the authorities.

Far East prescribed special regime

The extreme need for an economic growth in the Far East has been declared in Russia for several years now. The issue was discussed in detail at the Mercury Club in spring of 2012 under the chairmanship of Academician Evgeny Primakov. The Club's opinion was very clear: there is a need for new exploration of the Far East.

The Far East is a land of paradoxes. It occupies over a third of Russia's territory yet its share in the gross domestic product is extremely small. Less than 7% of the country's population lives there, and most residents are wishing to move to better developed regions.

That is happening although the territory is rich in resources. It has gold, numerous ore deposits and timber, which is in short supply in neighbouring countries. Yet the resources were never used in the Soviet era and are not used now despite the numerous Far East development programs.

Now powerful levers have been prepared to boost Far Eastern economic growth and their efficiency has been proven. They are aimed to create a special, more favourable legal regime for business on particular territories.

First of all, these are rapid development territories (RDT), sort of special economic zones residents of which will enjoy tax and other benefits. Secondly, a recently passed law declares Vladivostok a free port with a special customs, tax, visa and other regimes.

The news will be spread at the first Eastern Economic Forum in Vladivostok in late September, and the organizers want to make it an annual event.

An economic forum is an efficient way of boosting economic development. For instance, the International Investment Forum in Sochi, which will be held for the 14th time this year, has made a large contribution to the economic growth of the Krasnodar territory. Similar results are yielded by the economic forums held in St. Petersburg and Krasnoyarsk. So, big hopes are pinned on the Vladivostok Forum.

Minister for the Development of the Russian Far East Alexander Galushka thinks that the forum is bound to "promote new investment opportunities available in the Far East and possibilities created by the government of the Russian Federation together with regions of the Far East."

He cited the law on the free port of Vladivostok applicable to 15 municipalities as an example of such

opportunities at a press conference at TASS. There will be a number of benefits and preferences for residents, including a five-year revenue, property and land tax break, accelerated VAT refund, fast track coordination of construction documents and lots of others. In the opinion of the minister, "this will help unleash the large transit, logistic, culture and tourism potential of the Far East."

It should be said that the free port or porto franco regime is not new to Vladivostok. The regime already existed in 1861–1909 and did a lot for the city's growth and establishment as a large Russian port in the Far East.

By the way, the Russian empire applied the porto franco regime as a development instrument rather frequently. For instance, Feodosiya and Batumi were free ports for a number of years in the 18th century. Odessa was a free port in 1858–1898 and became the major Russian transportation and economic hub in the Black Sea region, and the porto franco regime was in effect with some limitations in the estuaries of Ob and Yenisei in 1870–1907, which helped economic development of the northern regions.

Alexander Galushka also pointed to the Law on Rapid Development Territories (RDT) which had taken effect. Three territories of the sort have been created, and the creation of another six will be announced before the Eastern Economic Forum begins.

This is an opportunity to attract investment and to create new jobs in the Far East, to promote the economic growth of this region, to lay down a new tax base and, finally, to develop the regional social sector.

"First and foremost, our expectations are linked to the detailed presentation and promotion of the new mechanisms and instruments we have created after the forum, and investment, business and socioeconomic development options in the Far East with the purposes of practical implementation," the minister said.

A number of investment agreements are planned to be signed at the forum. According to General Director of the Far East and Baikal Region Development Fund Alexey Chekunkov, there are about 20 projects "regarding which an understanding has been reached on terms of the fund's involvement acceptable to the project initiators."

The interest of investors from the Asia Pacific region in Far Eastern projects is keen but the quality of Russian projects is not very high for now, Chekunkov said. Besides, "the level of understanding between Russian project initiators and Asian investors is far from ideal," he said. He expressed hope that "regular meetings of the Eastern Economic Forum will allow businesses in the Russian Far East to reach a whole new level of interaction with investors from Asia."

In the words of Chekunkov, the fund makes investment on terms providing maximum security and full payoff. He noted that such investment regime resembled project financing with additional guarantees. The fund does not need to form reserves, and the cost of funds invested for periods of five to ten years stands at approximately 10.5% per annum, which is much lower than the existent rates.

The fund's money will be fully invested within twelve months; about half of 15 billion roubles that constitute the fund's capital will be invested in projects before the end of the year. After that the president's order to establish a special regime for the Far East and Baikal Region Development Fund will take effect and some of the taxes, excluding VAT, paid in the projects to which the fund contributes and which are using infrastructures created with the assistance of the fund, will be spent on its re-financing.

According to estimates, the fund will receive about 78 billion roubles by 2025 in addition to the capital it already has, Chekunkov said.

True, the fund could have invested on better terms. For instance, the own/borrowed funds ratio is 1:2–1:3 for now. "Time will pass and the ratio of borrowed funds vs. our money will grow alongside an improvement of project preparation quality. Investors will get accustomed to us and learn the Far East better. In his respect the forum is a highly useful mechanism for attracting investors from Asia," Chekunkov said.

How realistic is this hope? In the opinion of Ernst & Young consulting company Managing Partner in Russia Alexander Ivlev, Asian investors will bring their money to the sectors in demand for the Asia Pacific region development. So, the Russian turn to the East is an imperative of our time.

Three countries – Japan, China and Korea – may become keynote investors. In the past investors were mostly

eyeing the mining sector, but an interest in other economic sectors, such as agriculture, deep processing of natural resources and infrastructure projects was developed in the past three-four years.

A short time before the St. Petersburg Economic Forum, Ernst & Young polled executives of over 140 Chinese companies potentially interested in working in Russia. Almost all of them described Russia as an attractive region but pointed out a shortage of market information. 66% said they were attracted by natural resources, and 62% were interested in the volume of Russia's domestic market.

A reason for their interest is possible revenue. Sixty-nine percent believe that return on investment in Russia can be higher than 10%. Companies which have been doing business in Russia are expecting profitability of 10–20%.

Yet no one is in a hurry to invest in Russia. The Chinese deem joint ventures to be the most attractive form of investment. Most respondents are confident that investment would not exceed \$50 million.

The same as the APEC forum held three years ago, the Eastern Economic Forum will be held on the Russky Island, on the premises of the Far Eastern State University. In the words of Primorye Governor Vladimir Miklushevsky, congress equipment worth of one billion roubles left from the APEC forum will be used to hold this event.

The organizers are planning accommodation of forum delegates and their cultural and sightseeing program. An important role is given to local residents. The Mariinsky Theater Company will come there to perform and there will be champion fights in the city. "Our concept inherited from the APEC forum is that any event should be remembered by Primorye residents and Vladivostok guests," Miklushevsky said.

Igor Ponomarev



Porto franco – a port or a part of a port enjoying the right to duty-free imports and exports. Porto franco is not included in the customs territory of a state and its purpose is to attract cargo and to increase the cargo turnover.

FAR EAST IS GETTING CLOSER



Ivan Valentik: investors never lose interest in Russian forests

Deputy minister of natural resources and environment, Federal Forestry Agency head **Ivan Valentik** speaks on the condition of Russia's forest sector, plans of the Agency and problems experienced by the sector.

The baseline development concept of forest management in the Russian Federation proceeds from the premise that regulations and norms of forestry development and forest restoration should incorporate peculiarities of forest management on each particular territory.

It is essential to take into account the forest growth conditions and socioeconomic statuses of constituent territories of the Russian Federation being aware of the classic definition of forests as a geographic notion. This approach will enable every constituent territory to develop its own forestry policy, which is actually required by a government resolution issued in 2013.

Every region shall set priorities within the framework of its program and, with due account of local peculiarities, shall lay down rules and norms for efficient development of the forest sector on that particular territory. I should say that this fully corresponds to the model of transition to intensive forestry development, which is also formalized by the state policy fundamentals. There should be no single standard for the enforcement of this model, but rather every constituent territory should implement it consistent with its needs. It is not mandatory to reject the extensive type of forestry development, which is traditional for our country; rather it should be preserved and a possibility should be created for using either both models or developing a unique model of one's own.

In principle, the Forest Code envisages the approval of regional norms for use, conservation, protection and reproduction of forests. A task we share with colleagues on the ground is to do this work with support from scientific organizations. At present forestry universities are playing an increasingly active part in such negotiations with regions. For instance, the Urals State Forest Engineering University is elaborating forest management programs on the level of a municipal district rather than a constituent territory. This kind of fragmentation improves quality of the forest management model and, naturally, brings a brand new socioeconomic effect.

Traditionally, forests have three functions formalized by legislation: resource, economic and environmental. Indeed, our sector requires certain state support, mostly subventions, which are provided to constituent territories of the Russian Federation from the federal budget. In turn, regions invest in the forest sector from their budget. A third financial element is the money provided by lessees of forest plots; it is spent on creating firebreaks, conservation of forests, their protection from fires, forest reproduction, etc.

As to revenue, Russian legislation requires payment for using forests. Any form of using forest resources, both timber and land plots, must be paid for at existent rates. An average fee for logging in the Russian Federation currently stands at 48.5 roubles per cubic meter. It is not high compared to rates applied by nations with traditionally developed forest sectors: Finland, Sweden, Canada and the United States. But our country has its specifics deriving from delivery, processing and other costs that make up the product's cost price. In the end, the low rate per volume enables domestic business to be competitive.

Investors have never lost interest in Russian forests despite any difficulties. A large woodworking factory was launched in the Tomsk region a short time ago. The Republic of Bashkortostan has announced the startup of a large woodworking factory in Ufa.

True, there have been unsuccessful attempts as well. For example, Finnish companies considered the possible construction of paper and pulp mills in various regions of Russia but said in the end they would build the mills on their own territory.

I think we should definitely count on the interest of foreign investors but, first and foremost, presume it is quite possible that Russian companies can consider the forest sector as an attractive type of investment.

For instance, the decision of Sveza Group to build a paper and pulp mill in the Vologda region with investment nearing \$1 billion or the project of Sibirsky Les LLC with investment of approximately 100 billion



roubles may be regarded as a certain driver because factories processing low-grade timber will be neighbored by worthy woodworking facilities and infrastructures. This will bring a synergetic effect.

The forest sector needs to adjust to the consumer demand, and entrepreneurs need to understand what the forest resource is and how it is conserved, protected and replenished.

Another important issue to understand is that forest is not only timber for making construction materials, furniture and so on. It also stands for wood chemistry, non-timber resources, eco-tourism and agriculture. For instance, pine nut can make a substantial contribution to the economic development of the Far East or Siberia. Differentiated customs rates can foster its processing on the territory of the Russian Federation instead of the supply of pine cones to China, from where the processed product is returned to our country in bags and is sold at a ten-fold higher price.

It is no less important to interconnect state economic development programs. For example, enlargement of the share of generation facilities running on waste wood to 2.5% in the total generation volume will contribute a lot to the development of the bio-energy market and put in circulation low-grade and low-value

timber. In fact, it is the matter of substituting coal and fuel oil imported in regions with wood fuel, which will bring a very serious economic effect. The Arkhangelsk region, which launched such a program 18 months ago, has gained an economic effect of 150 million roubles. The Republic of Komi and the Sverdlovsk, Tyumen and Pskov regions are now working in this field.

Concerning transport infrastructures, our measures should definitely be connected to the state development program for the Russian transport network.

In turn, the Federal Forestry Agency has finalized the elaboration of several laws of a so-called business package — a law on sale and purchase of forest vegetation for small and medium businesses, a law on the extension of lease contracts with bona fide lessees, and a law reinstating systemic forest tenders for enterprises engaged in added-value wood processing. We conditionally add another law to the business package; it significantly reduces the period of forestry conservation measures from 240 days to 45-50 days. This is the foundation to boost the appeal of the forest sector in 2015. Legislative work on reinstatement of systemic forest contests for enterprises engaged in added-value wood processing is underway.

Marina Drogoveryko

JSC “Novoyeniseiskiy Wood Chemical Complex” – saving traditions, building the future

JSC “NOVOYENISEISKIY WOOD CHEMICAL COMPLEX” carefully preserves its heritage and traditions. The sawmill was founded in 1960 and has been working for 55 years as one of the leading sawmills in Russia. The industrial site is located in Lesosibirsk, Krasnoyarsk kray, 275 km north of Krasnoyarsk, capital city of the region. The mill benefits from its close proximity to the most valuable and best quality wood resources in the world, Angara Pine and Siberian Larch. Own harvesting department currently produces up to 1,200,000 cubic meters of saw logs per year, 75-80% of which is pine, about 17% is larch and the rest is spruce and fir. JSC “NOVOYENISEISKIY WOOD CHEMICAL COMPLEX” owns a fleet of harvesting equipment, road construction equipment and log trucks. Saw logs are delivered to the mill mainly in rafts by water during spring-summer navigation in order to reduce transportation costs and preserve quality of timber. These measures result in the fact that JSC “NOVOYENISEISKIY WOOD CHEMICAL COMPLEX” is one of few fully self-supplied sawmills in Russia. Internal log supplies also means independence from changed round log markets or conflicts with log suppliers.

The site of JSC “NOVOYENISEISKIY WOOD CHEMICAL COMPLEX” is fully equipped with everything needed for fast loading and shipping of ready products in both rail cars and containers. Highly developed and established logistics allow JSC “NOVOYENISEISKIY WOOD CHEMICAL COMPLEX” to ship sawn wood and other products all over the world. Middle East and North Africa (MENA) regions are traditionally the major markets for the company. In 2014 the company however started some sales diversification and its sales department was strengthened and new business contacts were successfully established with partners also in China. As result, JSC “NOVOYENISEISKIY WOOD CHEMICAL COMPLEX” started active shipments of sawn timber to its Chinese customers. Larch wood of best grades with high added value as well as wooden pellets are mainly shipped to the European markets (Germany, Austria, Sweden, UK) where it get good reception from local customers. Fiberboards are sold mainly in the domestic market.

In April 2015 the company changed its shareholders and management team. “RFI Consortium” was appointed the management company of JSC “NOVOYENISEISKIY WOOD CHEMICAL COMPLEX” and its CEO Mr. Martin Hermansson was put in charge of operational control over the sawmill.



Change of shareholders and the management team provided new opportunities for the sawmill. JSC “NOVOYENISEISKIY WOOD CHEMICAL COMPLEX” has started a large-scale and ambitious investment program intended to upgrade and extend its production facilities.

JSC “NOVOYENISEISKIY WOOD CHEMICAL COMPLEX” in facts and figures:

- Annual allowable cut (AAC): 2,600,000 cubic meters of timber per year
- Sawing capacity: 300,000 cubic meters of sawn wood by frame lines with extension to 500,000-600,000 cubic meters of sawn wood after the launch of the “EWD” saw line
- Fiberboard production capacity: 60,000 cubic meters per year
- Wooden pellets production capacity: 50,000 tons per year
- FSC® certified forest management and chain of custody
- Customer service 24/7 in Russian and English
- Established contacts in logistics and customs in Russia, China and MENA countries
- Direct relations with leading Russian and multinational cargo and shipping companies

We would be glad to answer all your questions and become your partner!

JSC “NOVOYENISEISKIY WOOD CHEMICAL COMPLEX”

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Ad

Rapid development territories as economic growth and business drivers

The RDT (rapid development territory) abbreviation has lately become an integral part of the vocabulary of Russian politicians, economists and entrepreneurs. Most frequently, the abbreviation is being used applicably to the Russian Far East. This economic region of Russia, which has a huge territory (6.2 million square kilometres or 36.4% of the entire territory of the Russian Federation) and a vast diversity of natural resources is undergoing truly revolutionary transformations.

Perhaps, for the first time since Russia started to explore the Far East in the 1850s this major strategic region that borders on the Pacific Ocean has a chance to abruptly accelerate its economic, social and business development and join the number of best developed, prosperous and successful parts of the planet attractive to business within a relatively short period of time.

The main reason is the priority attributed by the Russian administration to the development of the giant potential of the Far East which has been used poorly so far. Amid the global turbulence, it stakes on the rapid development of economic relations with the Asia Pacific region and major Asian economies, its neighbour, China, in the first turn. By the way, the authors of the Russian project relied on the experience of Asia Pacific countries, primarily China and South Korea where rapid development territories have proven their value. Strengthening relations with Asia Pacific countries require not only an increase in the trade turnover, investment and industrial cooperation but

also an improvement of the economic level of the Russian Far East to the level of neighbouring countries.

The RDT program promises to be “interesting and efficient,” Russian President Vladimir Putin has said. Russian business agreed with the national administration and stressed the need for the broadest use of the RDT mechanism, both in the Far East and nationwide. In the opinion of business, RDT is the instrument needed to spur on the economic growth and to promote entrepreneurship.

Far Eastern experiment

The Russian administration and the business community see RDT as a key to the success of these ambitious plans. The Far East will be the first region to create rapid development territories. The practice may be adopted across Russia in two or three years.

RDT are economic zones to be formed under the Federal Law on Rapid Development Territories, the



cornerstone of which is crucial de-regulation and large-scale tax motivation. For the first three years RDT will be created only in the Far Eastern Federal District. That will make RDT an instrument of the Far East development oriented at global competitiveness and movement towards Asia Pacific countries.

At the same time, the RDT idea drastically differs from the special economic zone; it is based on individual interaction with every investor. In addition to tax benefits, the government undertakes to create infrastructures. A large number of de-regulation mechanisms will be provided, from limitations on checks of RDT residents to the transfer of all administrative and economic functions to one body, the managing company.

RDTs are being created on the orders given by the Russian president in the end of 2013. A year later, on 29 December 2014, President Putin signed the Federal Law on Rapid Socioeconomic Development Territories in the Russian Federation, which took effect on 30 March 2015. At the same time, the president ordered to fully enforce that law on the territory of the Far Eastern Federal District. According to the law, RDT shall exist for 70 years at the decision of the Russian government and by the proposal of the authorized federal body, and the government may decide to extend the period.

The Russian Ministry for the Far East Development was chosen as the authorized body to supervise the creation of RDTs. The Far East Development Ministry focused on three dimensions in the RDT project: field, marketing and legislative. Over 400 land plots were examined and 14 of them were chosen to be the venue of further work. The selection criteria were the proven demand of investors for projects on that territory and the analysis of available infrastructure. Russian companies were mostly chosen as RDT anchor investors. A comprehensive plan was drawn up for engineering and infrastructural development of RDTs. A database of 4,400 large manufacturing companies — potential RDT investors was formed.

First troika

The governmental commission selected the first three RDTs on 12 February 2015, in the Primorye and Khabarovsk territories. Russian prime minister Dmitry Medvedev signed resolutions on their establishment on 25 June 2015. The Nadezhdinskaya RDT is located in the Nadezhdinsky district of the Primorsky territory on an area of 806 hectares. It has three anchor residents (a transportation and logistics complex, a confectionary plant and food factories to manufacture semi-finished products), private investment of 6.7 billion roubles, required budget investment of 3.9 billion roubles and prospective creation of 1,630 jobs.

The Komsomolsk RDT is located within the city limits of Komsomolsk-on-Amur and Amursk on an area of 210 hectares. It has four anchor residents (producing aircraft parts and operating in the woodworking sector), private

investment of 7.9 billion roubles required budget investment of 1.2 billion roubles and prospective creation of 770 jobs.

The Khabarovsk RDT is located within the Khabarovsk city on an area of 587 hectares. It has nine anchor residents (a metallurgical plant, an agro-industrial greenhouse complex, a transportation and logistics warehouse complex and an airport), private investment of 15.4 billion roubles, required budget investment of 2.4 billion roubles and prospective creation of 2,574 jobs.

On 29 April 2015, the governmental commission approved the creation of the following RDTs: the Beringovskiy RDT (the Chukchi Autonomous Region), the Kangalassy RDT (Yakutia), the Mikhailovsky RDT (Primorye), the Kamchatka, Belogorsk and Priamursky RDTs (the Amur region). In the words of Minister for the Development of The Russian Far East Alexander Galushka, the six RDTs will create almost 8,000 jobs in the Far East. Investors have confirmed their intention to contribute over 200 billion roubles in private funds. The development of RDT infrastructures will require a total of 13 billion roubles in budget investment.

Currently the Far East Development Ministry and the Primorye territory are designing a concept of the Russky Island RDT as a research and development, science, education, tourism and recreation centre of Russia in the Asia Pacific region. The project is planned to be submitted for consideration of the governmental commission this year. Alexander Galushka said that projects of nine rapid development territories would be presented to investors at the Eastern Economic Forum in Vladivostok this September.

Operation resident

The status of a RDT resident has a number of advantages, among them 0% tax on revenue, property and land in the first five years, 0% export and import customs duties, 0% VAT on goods imported for processing, 7.6% insurance contributions instead of 30% in the first ten years, free allotment of land and ready-to-use infrastructures, accelerated VAT refund on exported goods, no inspections without the consent of the Far East Development Ministry, 'one window' for the investor, the free customs zone, simplified government control and fast-track simplified administrative procedures, including the issue of construction permits and customs clearance. So, the resident will spend less time on administrative procedures, enjoy fast track in coordination matters, and pay less taxes. As a result, business will be more efficient.

The RDT project assigns a special place for small and medium businesses.

Provided that small and medium businesses are unable to become residents for some reason, they may be engaged in the RDT project indirectly. RDT forms the demand for production and other services rendered by SMEs and broadens their access to public procurement.

Russian government Resolution No 1352 on Peculiarities of the Participation of Small and Medium Businesses in the Procurement of Goods, Works and Services by Certain Types of Legal Entities, which requires that state corporation procurement from small and medium businesses amounts to at least 18% of the aggregate annual price of procurement contracts or at least 10% of the aggregate annual price of contracts in procurements from small and medium businesses only, can help that.

The projected RDT demand for services of SMEs will exceed 160 billion roubles a year by 2020. Meanwhile, the federal program of support to SMEs in Russia slightly exceeds 20 billion roubles a year. Hence, RDTs in the Far East alone will provide a small and medium business development resource seven times larger than the entire federal program of support to small business in the country.

with a high degree of readiness. The investment minimum is set at 500,000 roubles. A company wishing to become a RDT resident shall be registered and seated in the Far East and have no branches outside of the RDT.

Managing companies with broad powers will be created to operate RDTs in the Far East. Managing companies will be dealing with the entire range of administrative and economic issues, including transportation services, construction and operation of roads, electricity, gas and water supply facilities and so on. Managing companies will operate on the 'one window' principle. The transfer of powers to managing companies will be done under special agreements with the authorities.

Jobs to workers, land to farmers! And even to everyone wishing ...



Most RDT anchor investors are Russian company. Yet majors, mostly from Asia Pacific countries, have declared their involvement in the project. For instance, BAOLIBI-TUMINA Singapore, the world's leading producer and distributor of bitumen, has become one of the first residents of the Khabarovsk RDT in which it plans to build a plant and the infrastructure.

Chinese business is also ready to invest over 114 billion roubles in an oil refinery in Komsomolsk-on-Amur and 300 million roubles in each of a metallurgical plant and a brick factory in the Kangalassy RDT in Yakutia. Japanese company JGC is building a greenhouse complex in the Khabarovsk RDT (investment of approximately 2.5 billion roubles). Another Japanese company Sojitz is negotiating modernization of the Khabarovsk airport (investment to top 10 billion roubles).

It is rather easy to become a RDT resident. The easiest and shortest way is to offer a specific investment project

Preparations to launch RDTs in the Far East are in full swing. According to presidential representative to the Far Eastern Federal District Yuri Trutnev, the governmental commission has selected 15 projects in every field of activity, and their fulfilment will draw 368 billion roubles in private investment by 2018 and 383 billion roubles by 2025. Besides, 22,500 jobs will be created, and budget expenditures will amount to 33 billion roubles.

The presidential representative deems it necessary to launch every selected project, so that they really work, to create infrastructures and to build enterprises. Rapid development territories do not set any sectoral limits, and every new project will be a part of RDT, he underlined. The launch of new territories has lead to 5.9% growth in industrial production in the Far East, while investment went up 110% in the first quarter.

Human resources are a problem, as the Far East does not have enough personnel for full-scale implementation

of RDT projects. A draft law on the free allotment of land to Russian citizens in the Far East is being publicly debated in order to resolve this problem. "We see this project as an opportunity of self-actualization of Russian citizens in our Far East and attraction of population to this region," Minister for the Development of the Russian Far East Alexander Galushka said. In his words, "the free allotment of land is a mighty potential of the development of our eastern territories and a drastic, almost six-fold, increase in the population, from 6.4 million to 36 million people."

The draft law on the allotment of land plots to Russian citizens conforms to the general logic of accelerated development of the Far East. It should be said that the work has been lately boosted. For instance, the Russian government has approved a federal targeted program of the development of the Kuril Islands. The Russian president signed a law

Forum to be held in Primorye on 3-5 September is tasked to give a skilful presentation of Far Eastern rapid development territories and preferences provided by the RDT law. "We are going to present these opportunities and to listen to investors' proposals regarding the development of the Far East at this forum. Investors should fall in love with the Far East," the presidential representative emphasized.

Certainly, the creation and the first steps of the Far Eastern RDTs may not be altogether smooth. Sceptics have named a number of possible problems and difficulties the project may bump into. Yet most experts are confident that the Far Eastern growth rates will be achieved exactly through RDT and large investment projects. Moreover, amid the ongoing Western sanctions against Russia, the Far Eastern Federal District has a good chance to develop and expand relations with Asia Pacific countries and to attract their



on the free port of Vladivostok in July. The government has passed two resolutions which create an integral system of support to investment projects in the Far East and has chosen the first six investment projects with 128 billion roubles in overall private investment to enjoy infrastructural support from the government.

Far East may stop being far

The Finance Ministry has been ordered to facilitate the provision of tax benefits to investors in the Far East and to offer new benefits for the development of tourism. The government is taking additional measures to implement the 'May decrees' of the Russian president in the region and additional steps to prioritize rapid development needs of the Far East in budget investment in sectoral and social state programs.

In the words of presidential representative of the Far Eastern Federal District Igor Trutnev, the Eastern Economic

investment. The international situation itself requires the Far East, which is Russia's gateway to the Asia Pacific Region, to actively develop. RDTs can become powerful drivers of the economic and business development of the Far East.

So, the success of the RDT project in the Far East is quite capable of transforming it into a territory with a very special tax, economic and administrative status or even, as media keep saying, will make it a Russian analogue of China's Hong Kong. Whether this really happens and how soon will depend on numerous factors, including, largely, the successful interaction between the authorities, businesses and civil society.

Anyway, the appearance of RDTs will give the Far Eastern macro-region of Russia a unique chance to a powerful impetus for successful development and advancement into the future. It is a point of honour and a duty to the next generations in this country to use it in an efficient way.

Mikhail Bolshakov



Vladimir Chlenov: **Yakutia to present 20 investment projects at Eastern Economic Forum**

The first Eastern Economic Forum initiated by Russian President Vladimir Putin will take place in Vladivostok in early September. The president emphasized that a primary objective for today is to ensure growth and rapid development of the Far East, to transform it into a prosperous region attractive as a place of residence and business, and to create points of growth which will spur future development.

We have spoken with President of the Chamber of Commerce and Industry of the Republic of Sakha (Yakutia) **Vladimir Chlenov** about Far East development aspects and small and medium business in the region.

Vladimir Mikhailovich, how can the Eastern Economic Forum foster the development of small and medium business?

Let us hope that the forum will demonstrate business achievements and useful practices. Not those abstract but specific, examples of new jobs, development of a rational economic structure and a rise in taxes paid to the local and other budgets. So far we can see that laws on entrepreneurial activity have been passed, but they are not working and no one is controlling if they are observed. Moreover, they are not perfect. So, we need to analyze normative and legal acts and to rapidly amend the existent legislation. This is the question of Federal Law No 44-FZ of 5 April 2013 on State and Municipal Procurement of Goods, Works and Services, which needs a new detailed consideration, for instance, as regards targeted federal budget subsidies for electric power and heating consumed by SMEs in the Far Eastern Federal District, in Arctic and northern areas, where these utilities are very expensive, and the provision of food independence of the Russian Federation. There are other laws too, for example, Federal Law No 209-FZ of 24 July 2007 on the Development of Small and Medium Business or No 442-FZ on Fundamentals of Social Services Rendered to Citizens of the Russian Federation, which also need to be worked on. Regions, which are better aware of legislation weaknesses, should put forward their proposals.

Will the rapid development territory (TOR) be an incentive for economic growth in the Far East or a black hole in its budget?

Perhaps, the idea was to motivate. Yet the real effect will be clear when it is set in motion. I am inclined

to think that instead of promoting rapid development territories and creating privileged conditions for certain businessmen it is necessary to achieve the adoption of the draft federal law on Special Terms of Accelerated Development of the Far East and the Baikal region drawn up by a working group supervised by Senator Vyacheslav Shtyrov. The draft law presents a set of government support measures, a system of preferences and incentives aimed at accelerated development of the economy and the social sector and special legal regimes of industrial and investment activities, budget and land relations, which are to make our territories attractive to investors. Definitely, it still needs to be worked on with an emphasis on preserving population in the micro-region through labor issues, social security and tariff regulation. In short, these are factors on which living standards depend.

What are you expecting from foreign investors and do you have any fears about the awakened 'eastern dragon'?

There are no fears because Yakutia has already interacted with many foreign investors. Large-scale investment projects in the field of mineral development — tin, gold, zeolite, antimony, apatite iron ore — timber, woodworking, furniture and leather and footwear sectors and the construction of a bridge across Lena require big investment and world-class high technologies. They are currently possessed by developed countries of Southeast Asia. The 11th Forum of Chambers of Commerce and Industry of Russia, China and Mongolia in Baotou exhibited mutual understanding of business communities and interest in the promotion of goods and services and the financing of many projects. Yakutia will present about 20 investment projects to foreign partners at the Eastern Economic Forum in Vladivostok. Hopefully, they will win attention of foreign participants. Anyway, proposals have been formulated to some of them.

Interviewed by Maria Kachevskaya



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Primorsky Krai



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INTERNATIONAL INVESTMENT FORUM SOCHI-2015



RUSSIAN FEDERATION
KRASNODAR REGION, SOCHI
OLYMPIC PARK
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“To boost every region, we have developed a set of measures that are meant to help regional authorities build a well-balanced model of economic development, learn how to reach a common ground with businessmen, as well as create a business climate that will attract investors and thus effectively accomplish the strategic goals of the state economic policy.”

**Prime Minister
of the Russian Federation
Dmitry Medvedev**



About Forum

The Sochi International Investment Forum is a contemporary venue for constructive dialogue between business and government that was set up with the support of the Russian Government to address development of the global economy and its principal trends, discuss the outlook for investment and innovation in our country and to showcase ambitious investment projects in Russia's regions.

Over the years, the Sochi Forum has established itself as the key investment event in Russia and is recognised by the world business community. Every year, the Forum is attended by leaders of foreign countries, ambassadors and heads of diplomatic missions and of transnational corporations and leading Russian enterprises, experts and analysts, as well as representatives of leading world media.

The business programme of what is rightly considered to be the main investment event in the country will see an open discussion of the most acute issues of regional economic development. The plenary session is the key event of the Forum, which traditionally addresses the most relevant issues relating to the economic and investment future of Russia and its regions. Last year, economic development and living standards topped the agenda.

The Forum's motto "Investments: the Key to the Development of the Russian Economy" fully reflects contemporary trends in the long-term strategy for achieving growth and economic prosperity.

The Forum serves as a platform for the signing of promising investment agreements. Emphasis should be placed on projects that have contributed to the

investment development of the Krasnodar region, as well as ones targeting development of the infrastructure of Sochi and construction of the Olympic facilities.

On 01–04 October 2015, the Main Media Centre located in the Olympic Park (the coastal cluster in the Imeretinskaya Valley) will host the International Investment Forum Sochi-2015.

The participants to the Sochi-2015 Forum will have a unique opportunity to present their investment potential at one of the most remarkable facilities in the Olympic Park. The Main Media Centre has all the advantages of a world-class expo centre: indoor exhibition space accommodating stands of any configuration, a modern communications system, the option of plugging in the exposition to all the necessary networks, and convenient logistics and navigation systems. The design concept of the Main Media Centre provides convenient access to the events of the Forum for limited mobility people. Furthermore, the Main Media Centre operates its own medical station, full cycle kitchens, as well as specialised premises for all services involved in organisation of the Forum.

The press centre of the Main Media Centre provides sufficient work areas for media representatives and offers convenience and comfort.

The cultural programme of the Sochi-2015 Forum is also varied. The Forum will feature the traditional Kuban Wines and Kuban Cuisine festivals, which have been appreciated by participants in the Forum in previous years. The Forum participants and guests, as well as Sochi residents, will also enjoy a concert.

Sochi-2015 Forum to ponder Russia's substitution of imports and expansion of exports

Preparations for the Sochi-2015 International Investment Forum have almost come to an end. The Forum has long become a trademark of Kuban. Russian deputy prime minister **Dmitry Kozak** is personally supervising the Forum's organizing process. All federal ministries are contributing to preparations of its business program.

Roundtables, panel sessions and master classes will highlight the use of Russia's export potential and programs aimed to substitute imports. The development of the national financial market and transformations in the structure of the Russian economy will be on the table too. An emphasis will be put on fostering the investment potential of Crimea and eastern regions of the country.

In the words of the Forum's curator, deputy prime minister Dmitry Kozak, they will also focus on regional issues in order to understand the situations local authorities are dealing with. "Regional dimension needs to be accentuated to understand the situation encountered by local authorities," Dmitry Kozak underlined.

"The International Investment Forum is a very important event for the Krasnodar territory," deputy governor **Veniamin Kondratyev** said. "Perhaps, this is the only platform where we can show what we possess and what we are ready to offer to guests and investors from Russia and the entire world. Our municipalities are interested in demonstrating their potential more than anyone else. And our potential is extraordinary!"

According to Veniamin Kondratyev, both individual offers and packages supporting investment projects that can render maximum assistance in the implementation of the proposed ideas will be available.

"Practically all constituent territories of the Russian Federation will take part in Sochi-2015 Forum," Krasnodar territory deputy governor, finance minister **Ivan Peronko** said. "The exhibition space where Russian regions and forum partners will present their expositions nears 10,000 sq. meters. Kuban's stands will be the most impressive by their size and content."

Dmitry Kozak Deputy prime minister



"Regional dimension needs to be accentuated to understand the situation encountered by local authorities"

In all, the territory will present about 1,800 ready-to-launch investment projects in various economic sectors, and some presentations will be made in the 3D format. The best investment offers will be included in the Investor's Guidebook to be presented at the Kuban central pavilion.

The department of support to entrepreneurship and foreign economic relations of the Krasnodar territory coordinates preparations for the Forum. The Russian

Veniamin Kondratyev **Deputy governor**



“The international investment forum is a very important event for the Krasnodar territory. Perhaps, this is the only platform where we can show what we possess and what we are ready to offer to guests and investors from Russia and the entire world. Our municipalities are interested in demonstrating their potential more than anyone else. And our potential is extraordinary!”

government has appointed the Chamber of Commerce and Industry of the Krasnodar territory as the Forum's technical operator.

The same as last year, the Forum will be held on the premises of the Main Media Centre in the Olympic Park. The total space of exhibition halls is invariable: it will exceed 5,000 sq. meters.

A conference hall with a capacity of up to 1,900 people and twelve rooms for roundtables with a total capacity exceeding 2,200 will be assigned for the Forum's business programme in 2015. Four halls will be assigned in the Media Centre's conference area and eight halls are being additionally arranged.

Forum delegates will be accommodated in hotels of the Imereti Valley with a total capacity exceeding 14,000 rooms. A concept of Forum delegates' transportation and a temporary scheme of traffic in the Imereti Valley in the Sochi-2015 period have been approved.

As of today, the cultural program features an evening reception on behalf of the organizing committee,

Ivan Peronko **Krasnodar territory deputy** **governor, finance minister**



“Practically all constituent territories of the Russian Federation will take part in Sochi-2015 Forum. The exhibition space where Russian regions and Forum partners will present their expositions nears 10,000 sq. meters. Kuban's stands will be the most impressive by their size and content.”

an evening gala concert on Medals Plaza for Forum delegates and city residents, and open territorial hockey, skating and tennis contests.

**According to the materials of the
Krasnodar territorial administration
press service**

Dmitry Kurochkin: federal law to foster growth of public-private partnership market

The Federal Law on Fundamentals of Public-Private and Municipal-Private Partnership in the Russian Federation passed this year opens new vistas, for instance, for the authorities and gives a chance to use new models of interaction with business. A panel session, “The Federal Law on Public-Private Partnership: New Opportunities to Resolve Old Problems”, will be held on the sidelines of the Sochi-2015 International Investment Forum. Risks and problems remain in the area of enforcement and there are difficulties in the structuring, the assessment of project efficiency and the clear regulation of tendering procedures. In the opinion of the expert community, a solution to these problems lies in the fine-tuning of bylaws. CCI of Russia vice-president **Dmitry Kurochkin** has shared his opinion on this matter with RBG.



The adoption of the Law on Public-Private Partnership to take effect on 1 January 2016 is an important step in the development of the infrastructural projects market in our country. Russia has had no unified norms and rules of the game before. The absence of federal norms posed an additional risk to public-private partnership projects as contracts could be challenged.

At the same time, experts are calling for an improvement of this law. For instance, limits on foreign legal entities and state-run companies as private partners to projects, which the law sets, do not comply with the best available practice. Besides, the law provides a full list of subject matters of public-private partnership agreements, which does not include water supply, waste water disposal and heating facilities and roads. It should be noted that most public-private partnership projects are being implemented in public utilities.

There is still a lot to be done before the law takes effect, for instance, by-laws, normative acts regulating the procedure and method of the assessment of public-private partnership project efficiency, a private initiative mechanism and tendering procedures need approval. These issues will be addressed with the help from expert and business communities.

The public-private partnership mechanism is rather complex both for business and for the authorities. Hence, it is necessary to gain experience and competences in

this field. Businessmen and officials need to understand technicalities of this mechanism application, tendering practices and the conclusion of an efficient contract to protect interests of both sides.

Our intermediate results demonstrate that legislative shortcomings are not the only ones hindering the development of public-private partnership in Russia. A no less important problem is the absence of mechanisms for efficient financing of public-private partnership projects even though funds are available. The reason (excluding the administrative one) is as much the high cost of borrowed funds and the unwillingness of banks to issue long-term loans as the general attitude of businessmen fearing to launch complex and long-term projects.

To our mind, the problem of attracting long-term funds for public-private partnership projects requires the development of the market of lending for public-private partnership infrastructural projects, benefits

for income on long-term securities issued to support infrastructural projects, and debate with the business community on broadening the ability of private pension funds to invest in infrastructural projects. It is also expedient to prepare adjustment of Russian laws on taxes and duties regarding special taxation of public-private partnership projects.

Another requirement for the efficiency of public-private partnership projects is the creation of legislative mechanisms for financial support to investors, primarily tax benefits. To our mind, a possibility of a special tax regime upon the completion of public-private partnership projects should also be considered. It is important to investors that tax regulations available at the end of the public-private partnership project be similar to those available at the beginning. A prospective private investor needs guarantees of the tax regime's stability.

Nata Mark



Sochi-2015 Forum: Business programme

Friday, 2 October 2015

DAY ONE OF THE FORUM

Plenary session

Time for change. Anti-crisis measures and development priorities

Economic Pulse

Roundtable

Realizing export potential. The devaluation effect and measures of state support

Roundtable

Import replacement. Check-up on the implementation of industry-specific plans

Roundtable

The evolving structure of the Russian economy. Industries, ownership, growth models

Investments

Roundtable

Russia for sale at bargain prices. Will cheaper Russian assets attract a wave of strategic investment?

Roundtable/debate

The innovation ecosystem. From broad-based support for state institutions to a focus on breakthrough projects

Finance

Debate

Fiscal policy for 2016–2018: short-term challenges and long-term priorities

Panel discussion/debate

The value of money and the effective interest rate. Balancing the need for growth against macroeconomic stability goals

Brainstorming session

Does fighting inflation manually make sense?

Industries

Case study

Agriculture and the agro-industrial complex. Has it been a difficult year or a good year?

Roundtable

Construction and the housing market. Financial support mechanisms.

Roundtable

The fuel and energy complex. How to grow in a low-price environment?

International Cooperation

Conference

Russia and its euro-atlantic economic partners. What are the chances of a relations reset?

Roundtable

The Eurasian economic union's integrated currency market and settlements in national currencies

Public Administration

Debates

Is a new quality of state control and supervision within reach?

Roundtable

Is the state an efficient manager? Improving governance at state-owned companies

Regions

Brainstorming presentation

Investment climate at the local level. Keys to success

Brainstorming

The fiscal situation in the regions. Sequestering amid shrinking access to credit

Brainstorming

A new but familiar challenge for regional policy. Do we need a national strategy for shrinking small and medium-sized towns?

Debates

Are regional development strategies sufficient to ensure real change in the regions?

Individuals and Society

Roundtable

What kind of unemployment do we need?

Roundtable

Making good on social commitments. Responsibility of the federal and regional governments

Infrastructure

Roundtable

Energy efficiency or massive investments in infrastructure? A strategic dilemma for Russia's energy sector

Panel discussion

The federal PPP law: new opportunities to resolve old problems

Hands-on workshop for the regions

Five aspects of the successful implementation of PPP projects in Russia's constituent entities

Saturday, 3 October 2015

DAY TWO OF THE FORUM

Plenary session

A time of opportunities. The economy on the starting blocks

Economic Pulse

Case study

Who has profited from the cheap rouble? Cases covering the development of projects, companies and industries

Discussion of research results

Crossroads of economic policy. Tactical decisions and long-term priorities

Roundtable

Will "the Russian quality system" help to boost competitiveness?

Investment

Brainstorm

The pension system: citizen, business and state. Any good news?

Brainstorm

Investing in education and medicine. The place of business in social industries

Cases and presentations

In search for "New Gazelles". Are there enough young and fast-growing companies?

Finances

Roundtable

Successful strategies in a period of volatility. Recipes for success in the financial sector

Roundtable

Enhancing the sustainability and effectiveness of the banking system. Is there a need for consolidation?

Roundtable

De-offshorization. Check-up reforms

Industries of economy

Conference

The defence sector: the new driver of the Russian economy?

Brainstorm

Modernization of the housing and utilities sector. What do public-private partnerships have to offer?

Roundtable

What will the development strategy for small businesses be? The results of state council meeting on small and medium-sized entrepreneurship

International Cooperation

Roundtable

Russia-Asia. Check-up on measures to boost investment cooperation

Conference

Economic strategies of Russian corporations on foreign markets

Public control

Roundtable

Minority shareholders. Can public control make institutes more effective?

Awarding the A.P. Pochinok prize to the winners of the all-Russia competition for regional social development programme

Regions

Roundtable

Master plan for the economic development of Crimea. Initial results and new plans

Roundtable

Year of tourism after the Olympics. What are the economic results of the winter and summer seasons in Sochi?

Roundtable

Investing in the Caucasus. Projects and opportunities for investors

Individuals and Society

Brainstorm

Private social investment: infrastructure, tools, cases

Brainstorm

The changing nature of engineering. What are the new demands for education and technological infrastructure?

Infrastructure

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we are ready to dote on investors

A portrait of Vadim Potomsky, the Governor of Oryol region, seated in an ornate wooden chair with green upholstery. He is wearing a dark blue suit, a light blue shirt, and a dark red patterned tie. He has short, dark hair and is looking slightly to the left with a slight smile. His hands are resting on a wooden desk in front of him, and a gold watch is visible on his left wrist. The background is a blurred interior setting.

Oryol region
governor
Vadim Potomsky:
**we have things
to offer to market**

2016 will be a jubilee year for the city of Oryol. The administrative center of the Oryol region will celebrate its 450th anniversary. We have spoken about development plans of the region with Oryol region governor **Vadim Potomsky**.

What problems and what achievements do the city and the region have on the threshold of this historical date?

Our efforts are focused today on the preservation of development rates and the fulfillment of social commitments of the region to citizens. No matter what pessimistic forecasts are made to scare us, the region will bring to an end the large projects started in the earlier period. These include the creation of a scientific and industrial cluster of special instrument engineering, a territorial innovative cluster of navigation, telematics and geo-data systems and the expansion of capacities of the Zelyonaya Roshcha industrial park,

Oryol farmers had the region's record grain harvest of 3 million tonnes last year. We are utterly unwilling to lower the bar; moreover, as such indicators may become a norm for the region possessing vast agricultural potential. Our major priority for today is dairy stock farming.

The Oryol region had a gross regional product of 176 billion roubles and an industrial production index of 104,3% in the previous year. Over 45.3 billion roubles worth of agricultural products were made.

Industries and agriculture balance the scales of economic prosperity of the Oryol region. Hence, state support and attention given to these sectors should be equal.

The Oryol region is known to be an agrarian territory. Your recent meeting with President Vladimir Putin revealed that the region has grown a record harvest. It is known that the Soviet Union bought agricultural products, including grain, abroad. In

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The Oryol region is situated in the heart of the Central Russia, in the south of the Central economic region. Its neighbours are: from the west — the Bryansk region, from the north — Tula and Kaluga, from the east — Lipetsk, from the south — Kursk region. Oryol, which is located almost in the center of the region, is situated in 382 km to the south from Moscow, in 398 km from Kharkov, in 141 km from Bryansk, in 426 km from Voronezh, in 387 km from Smolensk, in 1034 km from St. Petersburg, in 944 km from Brest, in 1009 km from Riga. The area of the Oryol region is 24,7 thousand sq. km (the 67th place in Russia).

In 2014, the economy of the Oryol region remained positive dynamics of development in all sectors of the economy, in some economic activity types there is a significant growth relatively to 2013.

The index of industrial production in 2014 equalled to 104,9% in comparison to 100,4% in 2013. The volume of shipped goods of own production reached 92,5 billion roubles.

The output of agricultural production in all the farms categories equalled to 52,3 billion roubles in 2014, or 108,3% to level of 2013 in the comparable prices and 121,8% in established prices.

The consumer's market and the region services were characterized by the growth of retail trade return physical volumes by 2,8% (in 2013 — growth by 3,9%); the paid services rendered to the population, increased by 1,3% (in 2013 — growth by 3,9%).

44,9 billion roubles of investments into fixed capital making 102,7% in comparison to 2013 in actually established and in comparable prices 99,1% were directed to economy and the social sphere of the region.

Growth of a nominal wage equals to 108,4%, real wage — 99,8%.

the opinion of experts, the volume of those purchases was practically equal to the amounts lost in storing and transportation. How is the region doing in the field of processing? What has yet to be done?

Any analog may be drawn and any hypothesis may be suggested. Nowadays the Soviet-era volume of milk production is our dream. If we had told the then chairman of a successful collective farm about today's grain yields he would have been, let's say surprised.

The possibility to buy cheap products, some of them of doubtful quality, for years was demotivating. So, the fashionable joke that sanctions should have been invented if they had not happened is not a joke after all.

We needed a push or, if you wish, a kick to get started. In the end, it is the biggest pleasure to do what others think you are incapable of.

Substitution of imports and national food security are idle words without serious processing facilities.

Yet the federal authorities that are heavily investing in agriculture within the anti-crisis plan and other programs are unable to provide equal support to all sectors at the same time. For now we are relying on the regional budget exclusively, when developing processing facilities. A relevant regional program is being drawn up.

The sector is being assisted under the state program for the development of agriculture and the regulation of agricultural markets. The document envisages compensation for expenditures in paying the interest on investment loan agreements, short-term loans concluded for the period of up to one year to process sugar beet, grain and oilseeds.

Are you satisfied with rates of the development of SMEs in the region?

There is always room for perfection. But I would rephrase this question. Do you remember the song about 'the beautiful future', 'what have I done for the future today'?

So, the question should be what has been done so that performance of the business community satisfies entrepreneurs themselves and the authorities.

Currently SMEs account for about 43% of all entities and enterprises in the region. The region has registered about 27,000 businesses. This is a very substantial segment of the economy, in which success depends not only on personal talents and skills but also on state support, which has become a key area of our anti-crisis plan.

Some of the expenditures in the acquisition of new hardware and payment of the loan interest are subsidized. Business startups receive grants on a contest basis and consultation and education services. Motivation of the business community is being supplemented with a considerable reduction of the tax and administrative burden. The interaction with federal agencies has been stepped up.

We are setting clear goals of the creation of a cluster development center and a center to support exports. A business incubator will soon open in Oryol. Larger initiatives deserve a special mention.

The regional government is ready to offer a broad range of preferences to companies placing their industrial facilities on the territory of the region.

First of all, these are taxation benefits. Regional laws in this area have been significantly improved. The adjustments reduce the sum of investment required for tax preference eligibility and offer a longer tax break of up to seven years, a single rate of the revenue tax at 4.5%, and transparent administering and state support procedures.

Secondly, the region is ready to provide infrastructures for industrial

sites. The first stage of engineering preparations came to an end in Zelyonaya Roshcha in 2014. The industrial park concept divides the territory into twelve industrial zones.

Thirdly, businessmen can receive state guarantees of the Oryol region in their borrowings for investment projects and there are also mechanisms subsidizing loan interest rates. Naturally, information, organization and legal support is provided as well. Our business partners may be sure that their property rights will be inalienable and there will be no interference in economic operations.

Let me add that the Oryol region was listed amongst regions with comfortable business conditions in the National Rating of Investment Climate in Russian Regions (Group II). We are next to the Tula, Kursk, Moscow and Voronezh regions. We can be upgraded to the ranking's Group I. That will require, for instance, a shorter period of procedures economic entities undergo in the fulfilment of their investment projects.

In spite of the ongoing problems, we are expecting investment in the economy of the Oryol region to amount to 46-48 billion roubles in 2016.

What is your idea of a special economic zone in your region?

The creation of a special economic zone in the Oryol region is, first of all, a perfect opportunity to draw investors and to strengthen the real sector.

We can guarantee favourable conditions for building industrial facilities, as the special economic zone provides vast preferences and lower tax burden, including that of federal taxes.

Figuratively speaking, this is a ray of light in the economic realm of darkness. The budget situation is really not easy. It is hard to make precise, moreover excessively optimistic forecasts.

A group of representatives of the Economic Development Ministry and the Industry and Trade Ministry, economic specialists of regional authorities, has been formed and got down to business; it is preparing a government resolution for signing.

One of our proposals is to create a major pharmaceutical cluster for making domestic medicines.

A second area is processing of agricultural products. In this respect we are speaking about the construction of large-scale vegetable storage facilities, vegetable freezing plants, etc.

Zelyonaya Roshcha has broad prospects. Currently the park is housing projects that process grain, pees and soy, make baby food and medicines, and manufacture metal products and structures.

Besides, a decision has been made to create a new industrial zone, the Western Industrial Area of over 600 hectares, in the Oryol region.

A cluster development center is planned to be created. The creation

of a cluster of special instrument engineering plants and a territorial innovative cluster of navigation, telematics and geo-data systems using GLONASS/GPS satellite technologies has already begun. The possibility of a processing industry cluster is being considered.

I can assure you that we are receiving numerous proposals from prospective partners. Yet we need to choose enterprises which will not be similar to those in nearby regions. The president clearly told me, he supported the creation of the special economic zone on the condition that all enterprises in this zone would be new. Indeed, we will build only new plants based on super-modern and competitive technologies. We need enterprises with the maximum use of labor force. The Oryol region has a vast human resource potential, which needs to be used, and people must be paid worthy salaries. I think the first results will be achieved within six months.

Everyone at the St. Petersburg Economic Forum knew about the special

economic zone. Lots of meetings and negotiations were held. Heads of major St. Petersburg companies expressed their wish to visit Oryol and get to know us better. By the way, most of their projects will not be rivals of local business because we have nothing like them.

A huge, interesting and lively work is in store. This is not just about various sorts of documents, normative and legal acts and procedures. Alongside tactical tasks, there are practical ones, among them the development of roads, logistics infrastructure and reopening of the Oryol airport. The region needs to break free from the circle of economic problems!

True, these are ambitious goals. But their successful achievement will promote the active socioeconomic development, improve the living standards of Oryol people, open broad vistas for agriculture and industries, and become a strong incentive for the business community. After all, one needs ambitions to climb to the top and abilities to stay there.

Interviewed by Boris Romanov



Industrial park "Green Grove", v. Volya, Mtsensk district, Oryol region, Russia

Oryol CCI improving business climate in region



Decisions made in regions play an important role under the complicated circumstances the Russian economy has found itself in because of the sanctions. President of the Oryol Chamber of Commerce and Industry **Svyatoslav Komarov** speaks about relations between small and medium businesses and the authorities.

Every region has its specific features. The national rating of investment climate in constituent territories of the Russian Federation has been presented lately. National Rating Committee Co-chairman for Rating Strategic Management, President of the CCI of Russia Sergei Katyrin participated in the presentation ceremony.

The regions were evaluated in four areas, namely regulatory environment, business institutes, infrastructure and resources, and support to small business. The Oryol region was included in the prestigious second group by the overall performance. We were rated rather highly, C, in the first three areas and, regrettably, ranked D in the area of support to small business. Perhaps, this is an objective opinion and both the regional authorities and the business community should pay attention to it.

I should say that we have a good business relationship with field-specific departments of the regional government – economic department, industry management department and education department – and joint projects are being implemented.

A significant improvement of business climate is possible on the condition of joint coordinated work of all legislative and executive authorities and businessmen. This work is being done in the Oryol region on the basis of agreements with the regional governments and its agencies. The Oryol CCI is a member of not all but of many public councils of power bodies. The chamber president heads the trustee council of the Micro-Finance Fund. This is a source of faith in the success of our work.

The development of small business in Russia has acquired strategic significance. A federal corporation for the development of small and medium business is planned to be created under a presidential decree to address financial, infrastructural, property management, legal and methodological support to SMEs. Limited financial resources of small businesses are not the only problem; they do not have developed infrastructures either.

The chamber of commerce and industry cannot be a detached observer to this process as an organization that unites real sector businessmen. It can and should become an efficient infrastructural link of the project.

For that reason, the Oryol CCI has created a special service to support small businesses. Oddly, according to questionnaires, most businessmen do not have a full

knowledge of the available means that can support their enterprise.

True, there are numerous programs supporting business and all grants have their websites. Yet it is not easy for a businessman focused on his activity to understand and study them. As a result, many businessmen in need of support are deprived of it. It is a task of the chamber to rapidly deliver full information about available support to small businesses, to render consultation services, to draw up documents and to provide help in general.

The Oryol CCI not only informs its members about programs by posting announcements of every known type of support in one portal. Our employees help prepare documents of innovative projects and draw up applications and render support to programs. This applies to a variety of federal and regional programs.

Another interesting area of the activity of the Oryol CCI is Russian language, history and legislation examinations of foreign citizens. We are grateful to the CCI of Russia. An agreement with the Federal Migration Service provides this opportunity. The MIMOP Institute supports territorial chambers.

We are still at the outset and preparing to accept our first applications. Our plans have been coordinated with the regional government and gained backing. I think we are beginning a large and diverse work required for attracting foreign labour force, including analysis of the regional needs based on interviews of enterprises – chamber members and support to employment issues.

Boris Romanov



International standardization — requirement of global economy

Economic globalization and the ongoing expansion of international trade dictate their rules of the game. International production standards need to be developed and specialized organizations addressing this issue need to be established for the sake of efficient interaction between various countries in the field of industry and trade. The Law on Standardization in the Russian Federation has become an important step towards this goal in Russia. Experts from state-run and public business structures are sharing their opinions on the introduction of international industrial manufacturing standards in Russia and the importance of the new law.



**WORLD TRADE CENTER
MOSCOW**

Vladimir Salamatov, Director General, World Trade Center Moscow; Chairman of the Russian CCI Committee on economic integration of the SCO and SIS:

The importance of international standards' introduction by Russian enterprises grows amid an increasing worldwide trend of the appearance of global free trade associations. The Transatlantic Trade and Investment Partnership (TTIP) between the European Union and the United States is a major force to unite 800 million people, 45% of the world's GDP and 42% of global trade.

Similar associations are being created by WTO member states. The number of customs unions and free trade zones notified in the WTO will reach 407 this year. Furthermore 147 out of existent 272 agreements have detailed sections dedicated to technical regulations. Technical regulation and standardization matters used to be resolved in the WTO, as the organization has set as one of its fundamental principles the compliance with international standards either directly or in the form of groundwork laid for the development of all trade norms and rules and product requirements. All WTO member countries (163 countries, including new member Kazakhstan and Belarus which is in the process of negotiations) are affiliated to the International Organization for Standardization (ISO). Moreover, one of Russia's first global companies, Pipe Metallurgical Company, not only operates by international standards but also actively contributes to their development (U.S. standards included).

The emerging global free trade zones and associations like the EU-U.S. Transatlantic Trade and Investment Partnership are creating new challenges to Russian exporters in terms of requirements to their products. Both customs tariffs and a variety of issues related to technical regulations and

preferences to be enjoyed by member states in reciprocal trade are being discussed in the context of the creation of this zone. As a result, exporters of any Russian products may encounter new barriers in their work on European markets. For instance, the resolved problem of technical regulations has made Russian corn, wheat and digital computing hardware competitive against U.S. exporters on the EU market in the past few years. Once the new partnership is established, the United States may acquire new preferences on the EU market and that will reduce the competitiveness of Russian exporters.

Integration processes must be given maximum attention. Active cooperation in the field of technical regulations is the only way to foster Russian industries.

Valery Koreshkov, Minister for Technical Regulation, Eurasian Economic Commission (EEC):

The new Russian Law on Standardization completely correlates to documents and regulations of the Eurasian Economic Commission that fully shares the (standardization) philosophy of international practices (ISO and International Electrotechnical Commission standards). The Eurasian Economic Union has developed its technical regulations on the basis of European Union directives. The technique of EEC standardization activity helps industries shift to new standards, including modern forward-looking indicators, in a smooth and differentiated fashion. The EEC is developing over 30 standardization programs for various industries, including the food industry. The development of normative documents incorporates all advanced projects of international organizations, European practices and our regional and national standardizations.

Alexey Abramov, Head of Federal Agency on Technical Regulating and Metrology (Rosstandard):

The Law on Standardization will enable all standardization actors to promote engineering solutions most appropriate to

the current conditions and needed by our industries. By using international practices amongst others, it will give a chance to our industries to be a bit more efficient and to improve the competitiveness of products made in Russia. The end goal of this work is to promote exports of Russian products.

Nowadays Russian enterprises have a chance to hold a correct and reasonable technical policy of using best practices available on the international level. This chance must be used to modernize, technically re-equip our industries and provide their competitiveness in a truly foreseeable future. A number of laws will be reconciled with the Law on Standardization by the end of this year. For instance, a large part of public and municipal procurements (excluding innovative products) will be done consistent with standards, which will ensure high quality of procured goods.

Alexander Shokhin, Head of the Russian Union of Industrialists and Entrepreneurs:

Any country wishing to be successful in global competition needs to play by the common, standard rules. International standardization is the way to build up technical levels and production competitiveness of companies and to remove technical barriers in trade, which is why we give so much attention to this subject.

About a third of Russian companies apply international standards in manufacturing over 50% of their products. The share of companies that are not applying international standards has been constantly reducing and currently stands at 37%. The introduction of world industrial manufacturing practices by Russian companies has been on the rise. National standards of lean technologies have been approved, and industry and trade minister Denis Manturov has recently issued the first certificate of compliance with these standards to company Interskol. Standardization efforts are being

taken in the Eurasian Economic Union as well. National laws are being rapidly upgraded: the Law on Standardization drawn up by business, Rosstandard and the Industry and Trade Ministry has been lately signed by the president. All this is bound to improve the competitiveness of the Russian economy and to resolve concrete tasks, including the task of substitution of imports, through globalization rather than isolation from the rest of the world. Substitution of imports is a possibility to manufacture products in Russia for competing on global markets and to be a rival of global brands on the Russian market.

Savva Shipov, Head of the Federal Accreditation Service:

Our service has been energetically bringing a Russian accreditation system of testing laboratories in line with international standard (ISO17000) certification bodies which is vital for the recognition of quality and product safety control results in other countries. This is also necessary so that technical regulation 'walls' protecting the market and security of consumers in other countries do not impede the development of Russia's trade and efficient bilateral relations.

Konstantin Leonidov, Director of Industry and Trade Ministry Department for State Policy on Technical Regulation and Uniformity of Measurements:

The new Law on Standardization and national standards, the ministry has been developing for various industries (first of all, for the food and light industries), as well as sectoral standardization programs will create conditions for the development of industries and the substitution of imports. Enterprises complying with energy efficiency and lean technology standards will enjoy benefits and preferences.



ISO Central Secretariat Headquarters in Geneva



Pskov region governor Andrey Turchak: **we are ready to dole out investors**

The Pskov region has a number of special features which make it an original and extraordinary territory. Except Kaliningrad, which is isolated from the rest of Russia by the Baltic republics, the Pskov region is the westernmost territory of the country. The Pskov region cherishes its rich history and monuments of Ancient Rus and does not forget about the present either.

Andrey Anatolyevich, could you please tell us about the overall performance of the Pskov region?

As of today, the Pskov region is conducting 14 strategic projects with the investment totalling approximately 34 billion roubles.

Regardless of all problems and the sanctions having an external impact on the Russian economy, we are unwaveringly creating comfortable conditions for investors in the region. The Pskov region has been witnessing a growth of investment in fixed assets since 2010. The growth rates have reached 134.8 %. We gained 30 billion roubles last year and ranked fifth in the North-western Federal District in terms of investment in fixed assets.

A short time ago, I attended the Delovoy Petersburg business lunch and met with St. Petersburg businessmen. Executives of companies which have already been working in our region unexpectedly thanked me for the attention given to investors by the regional authorities and said they were prepared to invest in the region in the future. That opinion is precious.

The attraction of investment is a major task of the authorities. What mechanisms exist to support and attract investors?

This conversation is also a mechanism attracting investors to the region. Yet, most importantly, we are ready to dote on investors, to remove administrative barriers and to support projects. Thanks to the investment project support in 2014, the region has implemented eight projects with a total investment of 1,355.9 million roubles. Some 481 jobs were created.

Speaking of support mechanism, I can tell you that, in order to encourage investment, the Pskov region has passed a law on preferential taxation of enterprises modernizing their facilities: the regional part of the revenue tax is cut to 13.5 % and the property tax is cut to 0.01%.

In the past four years the opportunity has been used by 53 entities to an approximate sum of 1 billion roubles.

In addition, a regional law provides residents of the Moglino special industrial zone with benefits on property, land, revenue and transportation taxes. A reduced rate of the regional part of the revenue tax has been approved for the revenue gained in the activity in the Moglino special industrial zone.

Which development areas do you deem strategic for the Pskov region? How does the region contribute to the substitution of imported industrial goods and food?

The regional administration has developed a socio-economic development strategy of the Pskov region for the period until 2020, which specifies points of our economic growth. Its drivers are agriculture, tourism, transportation and logistics. The development of an

electro-technical and engineering cluster, and the construction and timber sectors goes next.

Concerning the substitution of imports, applications from three large industrial enterprises of the Pskov region, the Federal Industry Development Fund has been processing, are in various stages of readiness. The overall value of their business plans on manufacturing substitutes for imported products nears 600 million roubles.

For instance, the Velikiye Luki Alkaline Battery Factory plans to make industrial lead-acid batteries and the Velikiye Luki Experimental Machinery Plant is eyeing the production of special cranes for metallurgical, oil and gas and shipbuilding industries.

The Electrical Equipment Plant in Velikiye Luki has drawn up two projects to make various types of

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The Pskov region occupies a territory of 55,300 sq. km, including 2,100 sq. km of lakes. The region is situated in the northwest of the European part of Russia. It is 380 km wide from the north to the south and 260 km wide from the west to the east.

The Pskov region had a population of 666,900 in the early 2012, including 467,900 city population (70.2% of the entire population) and 199,000 rural population (29.8%). The largest cities are Pskov (204,000), Velikiye Luki (98,400) and Ostrov (21,000).

Most valuable natural resources in the Pskov region are limestone, sand and gravel, dolomites, marl, gypsum, refractory and fusible clay, moulding sand, raw material for production of mineral pigments, putrid and therapeutic mud and underground mineral water. Forests which occupy over a third of the region's territory are a major resource.



transformers and gas-insulated switchgear (110 kW) previously supplied to the Russian market by Hyundai and Siemens.

During the St. Petersburg International Economic Forum, the Pskov region administration and the Industry Development Fund signed a cooperation agreement for 2015-2020, under which the Fund shall render financial, analytical and expert support to complex projects of regional high-tech enterprises, and the Pskov region shall support projects and provide tax benefits.

The administration is trying to support the substitution of imports with both financial and non-financial methods. The support was given to 14 industrial enterprises of the Pskov region (47% of all applicants) in the first quarter of 2015 to a total sum of 16.6 million roubles.

The Pskov region is the westernmost administrative territory of Russia's single territorial space. The geographic position of the Pskov region is a prerequisite for the development of foreign economic activity. How is the region using this opportunity?

The advantageous economic and geographic position has indeed helped us create a logistic hub comprising of an international airport, a developed network of roads and several railroad junctions.

The Pskov region is the only territory in the European part of Russia bordering three foreign states — the Estonian Republic, the Latvian Republic and the Republic of Belarus. We have sustainable transport links to large Baltic seaports — St. Petersburg, Ust-Luga, Riga, Tallinn, Gdansk and Helsinki. This makes the Pskov region a gate between Russia and EU countries. So, 5% of Russia's total imports and 10% of Russia's total exports annually pass through 14 customs offices.

Customs logistics infrastructures are being created at major checkpoints in the region, along the border with the European Union, under the concept of customs

clearance and control of imported goods in regions close to the state border.

The Pskov region has commissioned six customs logistics terminals with ten temporary storage warehouses. The logistics terminals offer customs clearance, temporary storage of goods and other services.

In addition, the region has launched a pilot project for simplified movement of international transport vehicles at the Kunichina Gora — Koidula multilateral motor checkpoint. The simplified regime provides a special lane, parking space for trucks and a special window for customs transit formalities at the Kunichina Gora multilateral motor checkpoint. By the way, 100% of Mercedes vehicles imported into Russia by land pass through the multilateral motor checkpoint in the Pskov region. The reason is the green corridor and the convenience of logistics.

What has the region been doing to create an image attractive to investors?

My answers to your previous questions tell you what has been done to improve the region's appeal to investors and to create its favourable image.

I can only add that the Pskov region has created a state autonomous institution, the Investment Development Agency of the Pskov region, which supports investment projects on a 'single window' basis and is tasked to promote investment processes and infrastructural development in the region. Currently, the Agency is supporting 63 investment projects with a total investment of 99.92 billion roubles in various economic sectors, and a rather large part of the projects is planned to be complete in 2016-2017. In all, 6,283 jobs are expected to be created.

The emerging Moglino special industrial zone is the most promising area for investors in our region. Main infrastructures of the special economic zone will be ready in the second quarter of 2016. And this is just the beginning.

Interviewed by Boris Romanov

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Russia-ASEAN Business Council sets new format for investors



A portrait of Austrian Ambassador Emil Brix, a middle-aged man with light brown hair and blue eyes, smiling and resting his chin on his hand. He is wearing a dark blue suit jacket over a white shirt. The background shows a red bookshelf filled with books and several framed pictures on a light-colored wall.

Austrian Ambassador Emil Brix: **Austria stands for further dialogue with Russia**



Trade and economic relations between our countries had exhibited mostly upward trends before the political crisis broke out in Russia-EU relations in 2014. The trade turnover naturally declined since the moment the sanctions were imposed on Russia. The fruit of long-standing reciprocal efforts of business communities was endangered. We have discussed the development of Russia-Austria relations under the current circumstances with Ambassador of the Austrian Republic **Dr. Emil Brix.**

Mr. Ambassador, what is your opinion on the current trade and economic relations between Austria and Russia and how much have they been influenced by the sanctions?

During the past few years, our bilateral economic relations showed a very positive dynamic. The trade turnover as well as the investments increased steadily — in 2013, the turnover was over €6.6 billion and the amount of Austrian foreign direct investment in the Russian economy reached around €8 billion. Unfortunately, since last year we confronted with a downward trend in our economic relations. There are many reasons for this, including the negative effects of the crisis in Ukraine, the EU sanctions against Russia as well as Russian countermeasures and of course the challenges within the Russian economy. All contributed to the fact that last year, Austrian exports to Russia decreased by 8% and imports from Russia by 28%. From the preliminary data we can see that this negative trend continues in 2015.

The EU sanctions are of course not an end in itself, but a reaction to Russia's actions in Crimea and Eastern Ukraine. Austria fully supports the EU position in this matter as well as the very clear message sent by EU Heads of State and Government: if there are positive developments in Ukraine, the sanctions can be adjusted or even lifted, but the reverse is also true. Nonetheless, Austria has always called for a continuation of the dialogue with Russia. First of all, the crisis in Ukraine will only be solved if all parties concerned, including Russia, contribute in a positive way. Currently, the only way forward is through a full implementation of the Minsk agreements. Unfortunately, the results of the implementation so far have been mixed. Austria places great importance on the role of the OSCE in this regard and we are very proud that an Austrian diplomat, Ambassador Martin Sajdik, was recently chosen as the new OSCE Special Representative for Ukraine. Secondly, the dialogue with Russia is necessary because we should all make an effort not to create new dividing lines in Europe, but rather strive for greater cooperation not only in the political but also in the economic sphere.

Austria is ready to make a positive contribution and I am convinced that our economic cooperation with Russia, including all Austrian companies working on the Russian market, can play an important role. In order to be able to strengthen investment possibilities in the Russian economy again we should not isolate Russia from Western European financial markets but keep credit lines and guarantees open. Also institutions such as the EBRD, which are currently not in a position to undertake any new business here, should consider re-integrating Russia in order not to turn old into new dividing lines.

Which sphere of cooperation with Russia, in your opinion, has the biggest chance to

develop? Are there spheres requiring special attention?

In the last years, we worked consistently to deepen our cooperation with Russia in all areas, be it political, economic, scientific, or cultural. A prominent sign for this intensification of bilateral relations was the Austrian Cultural Season in Russia 2013/14, followed by the Russian Cultural Season in Austria 2014/15. When we are talking about our economic cooperation, the strong participation of Austrian companies in the preparation for the Sochi Olympics 2014 is certainly a prime example.

Generally speaking, there are certain fields in which Austrian companies are traditionally very strong. These include the production of machinery and equipment as well as pharmaceuticals. The active Austrian participation in the banking sector is also well known in Russia. In 2011, Austria and Russia signed Agreement on "Modernization Partnership". This has led to an increased development of innovative and technology-intensive products — in particular in the fields of aviation as well as automotive industry and engineering. We can already see clear results and achievements based on this partnership and are constantly striving to improve on them. Recently, the business contacts in the field of energy efficiency and smart cities have intensified and I am confident that using Austrian know-how in this sector can lead to mutually beneficial results.

What can you say about the Austrian business presence in the Russian economy? What Austrian companies are most successful in Russia now?

There are over 500 Austrian companies currently operating on the Russian market. A majority of them has been here for years and will stay in Russia regardless of the current crisis. The decisive factor lies in the direction the Russian economy is going to take. Right now entrepreneurs and investors are cautious because of the recession and the volatility of the Russian currency. I think it is important to note that in economic relations trust is as crucial as it is in politics. Improvements in the business climate, clear rules and transparency will help increasing the investors' trust in the Russian market.

What we recently see is a growing trend towards localization of production, something that is also supported by the Russian government. It would be detrimental for Russia's economic development if this means less cooperation with innovative foreign companies especially in the field of applied technologies. If I should name but a few of the highly successful Austrian companies operating in Russia, I would for example refer to Frequentis, a leading global supplier of communications and information systems for safety-critical control systems like air traffic management or public safety and transport systems. In Russia, they cooperate with Russian Railways.



Austrian Embassy in Moscow

Another interesting example is Diamond Aircraft, an Austrian company producing light aircraft models. They cooperate closely with the Sverdlovsk region, where they operate a joint venture with the Ural Works of Civil Aviation (UWCA). The Austrian company Pörner — one of the top independent engineering contractors for process plants — cooperates actively with local companies in Norilsk to improve air quality. Automotive and spare parts suppliers — such as Magna, Collini, Boxmark Leather — cooperate intensively with the Russian automobile industry.

What Russian regions have closest relations with Austria?

Although I have only been Ambassador to Russia for a few months, I am deeply convinced that there is a huge potential in the economic cooperation between Austria and Russian regions. I am looking forward to getting to know the diversity of the different parts of Russia. The Trade Department of the Austrian Embassy (Advantage Austria Moscow) organizes up to four trade missions in various Russian regions every year. Irrespective of distance, only

business activity and potential of the respective regions are essential in the selection process. Some of the regions we have put our focus on in the past are the Volga river area, Ural region and Central Siberia.

Could you please assess the interaction with the CCI of Russia? What are its main areas?

The main cooperation partner of the CCI of Russia is the Austrian Federal Economic Chamber as well as their representation here in Moscow (Advantage Austria Moscow). The common work can be described as intense and multi-faceted with regular meetings in Vienna or Moscow. In 2007, Austria and Russia created a bilateral Business Council, which was a major step towards deepening the cooperation. The next meeting of this Council will be held this September in Moscow.

Austria is a country with a technologically advanced modern economy, a highly qualified workforce and a large number of globally very competitive SMEs. Thus my country is not only an excellent partner because of our exports in goods and services but also for Russian investors abroad.

Interviewed by Mariya Kachevskaya



Economy should not be used as weapon

RBG has spoken about the impact of the political and economic crisis on business cooperation between Russia and Europe with CCI of Russia Regional Representative to Austria and Slovakia **Georgy Nazarov**.

Georgy Gennadyevich, what problems are currently experienced by Russian companies which have already been doing business on the markets of Austria and Slovakia or are planning to arrive on those markets? Has the number of such companies reduced amid the sanctions?

Russian businessmen working on the markets of Austria and Slovakia have fully experienced the impact of the EU sanctions imposed on Russia as a result of the Ukraine crisis. Most negative implications for the economy result from the Western restrictions on access to financial resources and advanced technologies of a number of Russian companies and economic sectors, as well as Russian countermeasures aimed to protect the domestic market and banning imports of a number of West European commodities. I would like to say that in addition to the direct economic damage bilateral relations have incurred tangible indirect losses when Western partners refuse to start new projects for psychological fear of further escalation of tensions.

Has the image of Russian enterprises been affected in these countries by the political crisis in Russia-EU relations?

There is no doubt that any company working on global markets is regularly associated by the foreign community with the country it represents. This thesis should be taken into consideration in the policy of any Russian company creating its image abroad. The formation of a positive image of Russian producers of goods and services is one of the main tasks faced by the CCI of Russia. Thanks to long-standing efforts in this area we can state that business communities of Austria and Slovakia are optimistic about prospects of the development of bilateral cooperation with Russia, which has an effect on the political interaction between countries.

Is the representative office (probably, together with the Russian Embassy) holding various events or projects in Austria to help Russian companies arrive at the EU market and adapt to it?

The CCI of Russia Representative Office to Austria and Slovakia in close cooperation with the Russian Embassy and Trade Mission to Austria regularly holds events supporting foreign economic operations of Russian businessmen, including assistance in the search for partners in cooperation projects and arrival at the European market and the provision of information about foreign manufacturers, consultation services concerning technicalities of doing business in the EU and legislative and customs regulations. With the support of our partners in the countries of presence, information about Russian companies interested in collaboration with foreign partners is being disseminated. An important instrument of support to foreign economic operations is business trips of Russian businessmen to Europe during which domestic enterprises find partners for joint projects.

The CCI of Russia is arranging two major events promoting business relations between Russia and Austria in September and October this year. The Russian-Austrian Business Forum will be held on the Chamber's platform as an expanded meeting of the Russian-Austrian Business Council, and the Second Austrian-Belarusian-Russian Business Forum will take place. What will be the focus of participants in these meetings and what is your opinion, in general, on the significance of these events and their influence on the development of bilateral business relations?

To my mind, it is hard to overestimate the significance of such events held against the backdrop of international tensions and economic sanctions between Russia and the European Union. As Austrian Chamber of Commerce President Christoph Leith correctly said in his opening remarks at the First Trilateral Forum Russia-Austria-Belarus in November 2014, "The economy cannot be a part of the problem and should not be used as a weapon." Trade wars come to an end sooner or later and the most important thing is not to lose the accumulated experience and the place on the market. Business forums of such level are an opportunity to strengthen trade, investment and



cooperative relations. The list of subjects to be touched upon during the events you have mentioned is very long. It includes cooperation in the area of energy, machine building, infrastructure, occupational training and consulting, but most importantly this is a chance for business to demonstrate, in particular, to political circles, its readiness for close and mutually advantageous interaction.

Have Russian and Austrian companies agreed upon business projects in the 18 months that have passed since the beginning of the crisis? If yes, then which of them you find most interesting and promising?

Despite a certain decline in the dynamics of development of Russian-Austrian trade and economic relations since the beginning of 2014, cooperation in this sphere continues to set the tune for the entire spectrum of bilateral interaction. I should mention amongst most interesting

joint projects the construction of a fibre optic plant in Saransk (Republic of Mordovia), which is involving Austrian KNILL Gruppe and "Optic Fiber Systmes" CJSC (the investment nears €300 million). In addition, the construction of an aircraft plant, Diamond Aircraft, has begun on the basis of the Urals Civil Aviation Plant in the Sverdlovsk region. Major Austrian producer of laminated material, Kronospan, is building new industrial facilities in Ufa (Republic of Bashkortostan), and investing approximately €350 million. Very soon, during the upcoming expanded meeting of the Russian-Austrian Business Council, the project of building compressors for the petrochemical industry will be launched in the Novosibirsk region. This is a fruit of cooperation between Russian company VTM-Export and Austrian engineering major LMF. There is an even longer list and, as you can see, joint projects have a rather broad geography.

Interviewed by Maria Kachevskaya

Viennese Ball in Moscow

Russia and Austria have both business and cultural bonds. An agreement on cultural cooperation was concluded between the two countries in 1998. The Viennese Ball in Moscow was first held in 2003 and became a fine tradition. Each year the Viennese Ball in Moscow assembles about 1,500 guests — community leaders, artists, politicians and businessmen from Russia, Austria,

Germany, the United States and other countries. The Viennese Ball is not just a cultural event but also a major cultural and public event of the international level. This is the largest and best known ball in Russia and one of the largest balls worldwide. The Viennese Ball is a charity event; traditionally the funds it raises support children's organizations.



Latvian business inclined to cooperate



This is the opinion of President of the CCI of Latvia **Aigars Rostovskis** who is confident that the successful interaction between chambers of commerce and industry of the two countries contributes to the development of bilateral business contacts. For instance, the trade turnover between Russia and Latvia grew by almost 20% last year against a 3–4% drop in trade with EU countries.

A delegation of the CCI of Latvia recently visited the Chamber of Commerce and Industry of Russia, and Aigars Rostovskis answered RBG questions.

Mr. Rostovskis, you have taken the position of the CCI of Latvia President a short time ago. What projects are you planning to implement in the near future?

I have been doing business in the field of education for 25 years and I am the core owner of the biggest private university in Latvia. I am doing business in some other areas, such as real estate development, too. So, I have a profound knowledge of the needs and problems of the entrepreneurial community. Before I became the President of the CCI of Latvia, I had been the Vice-President for over five years and know that work very well.

We are witnessing the alternation of generations, just as everyone else. My election program set the task of doubling membership of the CCI of Latvia. I believe this is a very important task because business needs consolidation. It is not accidental that membership in chambers of commerce is historically mandatory for businesses in such countries as Germany, Austria, France and some others. Consolidation of SMEs is particularly important because big business is

capable of solving many of its problems independently. Yet such support is vital to small and medium companies.

The solution of this task has been successful: as of today the CCI of Latvia comprises of approximately 1,500 individual members and 60 associations, and these numbers are constantly growing. Indeed, we have to offer business something in order to attract it to the chamber of commerce. We should remember about two main challenges faced by the Latvian economy. First of all, exports need to be developed as Latvia is a rather small country and our domestic market is not big. The second issue is labour productivity, in other words, a high added value ratio per goods and services produced in the country. Only an increase of this ratio can make our economy successful.

Hence the chamber aims to help businesses develop in these areas. In order to do so we are trying to foster relations with our neighbours in the first turn. In the first months of my work as the CCI of Latvia President, my colleagues and I have visited Estonia, Lithuania and Belarus and we are now visiting Russia.

We are pleased to have accomplished success in business relations with Russia and to increase the bilateral trade turnover last year despite some uncertainty in political relations. Clearly, some cooperation areas have demonstrated a natural decline due to the sanctions but I repeat that, on the whole, our trade turnover has grown. This situation shows that business is pragmatic, it is working, and we need to maintain the high bar we have raised.

Human resources are another challenge to any economy. How is Latvia doing in the field of occupational training? Is there a deficit of skilled personnel and which sectors are experiencing difficulties?

The current situation is that, on the one hand, the number of young specialists meets the economic demand and, on the other hand, there is an imbalance between the economic demand and the knowledge and skills the younger generation has to offer. The shortage of quality personnel is the biggest in technological sectors, especially programming.

Yet the problem is being resolved. For instance, I head the Latvian division of an international organization which teaches business to schoolchildren. The program puts emphasis on the fact that the future economy will be very much different from what we have today. There will not be enough jobs for everyone and people need to learn to transform their knowledge and skills into goods and successfully sell them. For example, when a teacher cannot find a place in an education institution, he or she needs to be able to start a business: to become a private tutor or to launch one's own courses. An engineer unable to find a job at a plant may start his own micro-business and become a private practitioner.

Another problem of the present-day education system in Latvia is that most education institutions have

been financed by the state since the Soviet period. They do not feel the pressure of the market and modern realities which they need to meet. They receive guaranteed subsidies or grants and have no incentive to fight for the market. This means they are not improving themselves and their competitiveness.

I think that the system of funding education institutions should be changed: business should play a bigger role in this process and the market should regulate which human resources it needs and which skills and knowledge new specialists need to possess.

The transformations should start in school. Unless children receive modern and competitive knowledge during their school years, they will be simply unable to develop into modern specialists needed by the contemporary market during their higher education years.

The Chamber of Commerce and Industry of Russia and the CCI of Latvia are long-standing partners with solid relations. How do you plan to strengthen and develop this cooperation in the period of your presidency?

Our chambers have been truly developing successful cooperation for a long time, and private bilateral meetings confirm this. Yet certain areas of our joint work require new stimuli. For instance, the Business Council or, to be more exact, its Latvian part, needs to be reorganized. This is an issue discussed at our meeting with CCI of Russia President Sergei Katyrin.

In addition, it has been decided to draw up a roadmap of Russia-Latvia business cooperation and information support to the capacities of business communities in both countries.

Another promising kind of interaction between our entrepreneurs is the arrangement of special videoconferences in which all interested businessmen can distantly take part.

At present Russia most actively cooperates with Latvian businessmen in border regions. Do Latvian businessmen have interest in more remote regions of Russia?

It is hard to speak for all, but a construction mix plant has been launched in Samara under a Latvian company's franchise. Latvia-Russia trade grew last year in the engineering sector. To my knowledge, Latvia is exporting its hardware to Yekaterinburg. During this visit to Russia we are planning to visit Nizhny Novgorod where we will negotiate the expansion of cooperation, including the opening of a new Riga office of a Russian transit company. It would be fair to say that Latvian business has points of interest outside Russian border regions. But it is important that business interest is demonstrated on both sides.

Interviewed by Maria Kachevskaya



Russia-ASEAN Business Council sets new format for investors

In the opinion of leading policy expert Sergei Karaganov, the Greater Eurasia community will form around the renewed and expanded Shanghai Cooperation Organization (SCO). Indeed, the Greater Eurasia project should be open to EU and ASEAN countries. This kind of integration is bound to give an impetus to the slowing down external economic and investment activity throughout this space. How can new forms of investment diplomacy be found to revive the Russia-EU investment dialog and build in investors from ASEAN, BRICS and SCO? The Greater Eurasia idea needs to target the elaboration of new rules and approaches to investment diplomacy concordant with the XXI century realities. The Russia-ASEAN Business Council realizes geopolitical challenges and offers a new format of interaction to investors.

The Russia-ASEAN Business Council and the ASEAN Committee in Russia have held an unusual seminar attended by ASEAN ambassadors and trade representatives in Moscow and investors in Dega Noginsk industrial park. The main theme of the seminar was the way foreign companies were doing business in Russia. The choice of the Dega Noginsk industrial park as the seminar venue was not arbitrary.

Russia-ASEAN Business Council executive director Viktor Tarusin has commented to RBG on the mounting interest of ASEAN investors in the Russian market in the following way, "I can say that priorities of ASEAN investors regarding Russia have undergone a serious transformation after the Arab Spring. Orientation of investment banks and all investment funds possessing real capital and investing both in ASEAN domestic markets and abroad has been changing

in Russia's favour. Previously, the United States ranked first, followed by Arab countries and Europe. Russia ranked fourth in terms of investment interests of ASEAN countries. The pattern is now changing. We are arriving at the second position. In the opinion of ASEAN investors, Europe is in stagnation, political risks in Arab countries have automatically dissolved the region's attraction in the eyes of investors, and the interest in the Russian market has therefore grown. A pivotal moment of this investment agenda is nearing, and Russia plays a role of paramount importance. ASEAN investors do not make the Far East their priority so far, yet they are very interested in doing business in Central Russia."

The event was attended by Brunei Ambassador Haji Haini bin Haji Hashim, Indonesian Ambassador Djauhari Oratmangun, Malaysian Ambassador Dato Zainol Abidin Omar, Singaporean

Ambassador Lim Kheng Hua, Philippine Ambassador Carlos Sorreta, Lao Consul Siphandon Oybouabouddy, First Secretary of the Lao Embassy Vanpheng Sengmanothong, First Secretary of the Thai Embassy Orawan Permpoon and accompanying officials. Foreign Ministry Ambassador at Large Alexander Ivanov, CCI of Russia chief expert Alexander Starkov and senior expert of the Economic Development Ministry Nikita Kondratyev were representing Russia at the meeting.

The seminar was tasked to prove with concrete examples the successful business done by foreign companies, including those from the EU, on platforms of the Dega Noginsk industrial park type.

Thirty resident companies from Germany, Sweden, Belgium, France and Russia are working at the Dega Park with a territory exceeding 350 hectares; their aggregate investment has exceeded



€1.5 billion and created more than 6,000 jobs.

Dega Group Business development director Sergei Kaushnyan and E.ON Connecting Energies general director Peter Richter presented to the audience major principles of the Dega park operation and the corporate development strategy, which stipulates the opening of similar parks in Tula, Yekaterinburg and Ulyanovsk. Tula industrial park general director Sergei Yelokhov also made an appearance at the seminar.

All residents acquiring a land plot in the park receive access to a full range of services, from connection to all types of public utilities (water, electricity, heating, sewage, etc) to cleaning, catering and external perimeter security. If a park resident wishes, the managing company is also ready to build industrial facilities.

After the presentation, the heads of diplomatic missions were offered to familiarize themselves with the industrial park infrastructure and industrial operations of anchor residents. The seminar participants took a keen interest in the autonomous gas power plant project. They were also offered to tour a vinyl window hardware plant of Roto Frank (Germany) and Europe's biggest factory of the Swedish cosmetics company, Oriflame.

In the end, the Dega Noginsk park executives presented a new project, ready-to-use industrial facilities extended under the rent-to-own program. Two 2,000-square-meter industrial buildings have been built on an area of ten hectares and prepared for use. It should be noted that the industrial park is offering its prospective residents a four-year lease scheme after which all buildings will become property of the lessees.

The unique offer is addressed to businessmen (park residents) seeking an opportunity of profound localization of their products



in Russia. The Business Council has never used the exclusive format to attract investors via the premiere presentation to heads of diplomatic missions. As a rule, investors find their own way to the Russian market. Now the Russia-ASEAN Business Council is offering a new approach to the search for business partners and has appealed to businesses via politicians for the first time ever. Experts believe this makes the investment dialog more efficient and lays groundwork for large-scale joint projects throughout the EU-Russia-ASEAN space.

In the opinion of Viktor Tarusin, the unique business environment created by the Dega park team for European and Russian businessmen will get attention of ASEAN businessmen looking for real and safest investment options in Russia.

In conclusion, Indonesian Ambassador Djauhari Oratmangun thanked the Dega Noginsk industrial park administration and the Russia-ASEAN Business Council for the useful and interesting seminar

and expressed hope that residents from Europe and Russia working in the industrial park would be joined by ASEAN colleagues in the near future.

The appearance of ASEAN businessmen on the industrial park platform ahead of the Russia-ASEAN summit scheduled for 2016 will personify the development of trade and economic relations between Russia and ASEAN member countries, Alexander Ivanov said. "It is a mission of ambassadors to send a correct signal to real sector manufacturers, capitals and investors. You have seen today what potential Russia has."

The Russia-ASEAN Business Council thanked the Dega company administration, personally, Dega Group Business development director Sergei Kaushnyan and E.ON Connecting Energies general director Peter Richter, for the professional presentations and the high level of the event organization, which corresponded to the diplomatic rank of its participants.

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Hero City Sevastopol: milestones of history



The economic, industrial and investment potential of the city of Sevastopol will be presented at the Chamber of Commerce and Industry in early September. The development of Crimea and Sevastopol that lately reunited with the Russian Federation is a focus of attention. The city bears special significance being the main base of the Russian Black Sea Fleet. Russian President Vladimir Putin recently visited the peninsula and the city, and the program of his visit was extensive.

On the eve of the presentation, we are taking a look at the glorious history of Hero City Sevastopol.

History of the city of Sevastopol began centuries ago. Remains of a Neanderthal camp and Cro-Magnon camps of later dates — Murzak-Koba, Fatma-Koba and Shan-Koba — were found in the Sevastopol vicinity. Koba means a cave, and all those camps were actually built in caves. Traces of ancient peoples were also found in the Laspinskaya Bay and other places within the modern city borders of Sevastopol. Cimmerians, Tauris, Scythians, Sarmatians, ancient Greeks, Genoese, Venetians, Goths, Huns, Khazars and Tatars left their traces on the territory of Sevastopol in different periods of history.

The ancient Greek city of Chersonesos at the edge of today's Sevastopol passed under control of the Byzantine Empire in the V century.

In 988-989, Chersonesos (Korsun) was besieged and taken by Kyiv Prince Vladimir. That campaign resulted in Russia's adoption of Christianity. Vladimir was baptized in Chersonesos. A bath where the prince presumably was baptized remains on the premises of the Chersonesos Nature Reserve.

The Turkish fleet landed on the Tauria shore in 1475, and the troops seized Genoese fortresses and Feodoro lands. The territory of today's Sevastopol was part of the Kefe Eyalet (province) of the Ottoman Empire. During that period a small village of Ahtiyar (Ak-Yar, Akyar) was situated near the Chersonesos ruins, and Inkerman was the administrative centre of the territory.

After the Russian-Turkish War of 1768-1774, the Ottoman Empire and Russia signed the Treaty of Kucus



I.K. Aivazovsky. Russian fleet at Sevastopol raid. 1846

Kaynarca, which formally proclaimed the Crimean Khanate independent but de facto made it depended on Russia, and Russian troops were stationed in Crimea.

On 8 April 1783, Russian Empress Catherine II issued a manifesto which declared Crimea, Taman and Kuban Russian regions. The event was preceded by Russian-Turkish wars of 1735-1739 and 1768-1774. On the empress's orders, the Ostorozhny frigate of Captain Ivan Bersenev sailed to the peninsula in April 1783 to choose a harbour on the southwest coast for stationing a strategic war harbor. Having examined in April 1783 a bay near the village of Ahtiyar, not far from the ruins of the ancient city, Chersonesos Taurica, Bersenev recommended making it a base of the future Black Sea Fleet. The present-day Sevastopol was founded on that place.

British, French and Turkish troops landed north of Sevastopol in 1854. The 349-day heroic defence of the city went down in history as the first defence of Sevastopol.

The legal status of Sevastopol was changed again in 1921, as it joined the new Crimean Autonomous Soviet Republic. In turn, the Crimean Autonomous Soviet Republic became part of the RSFSR.

In 1941 people of Sevastopol repeated the heroic deed of their predecessors — defence of the city lasted for 250 days. The city was awarded the Order of the Red Banner in 1954, the centenary of the first heroic defence, and on 8 May 1965, Sevastopol, a hero city, was awarded the Golden Star Medal. In 1983 it received the Order of the October Revolution.

Throughout its history, the city was connected to the fleet due to its geographic position (practically in the centre of the Black Sea region) and convenient bays for fleet ships (the Bay of Sevastopol juts eight kilometres deep into the peninsula).

Even this brief review shows how rich the city's history is and how much you may learn familiarizing yourself with the city of Sevastopol.

Maria Kachevskaya



International Army Games 2015 — Olympic Games of military professionals

In the midst of the vacation season in summer of 2015, Russia held the first-ever unprecedented and unique event, International Army Games 2015 (ARMY 2015). According to an apt remark of a journalist covering those Games, they are sort of Olympic Games for military professionals from various countries. Indeed, the best military professionals of the armies of Russia and a number of foreign countries were named in two weeks of ARMY 2015.

It is not accidental that the first Games, ARMY 2015, provoked unprecedented interest of the Russian and foreign media and the public. About 2,000 domestic and foreign journalists were covering the Games. Competitions open to the general public attracted over 250,000 viewers in various regions of Russia. The Games were presented in Russian and in English on the official website of the Ministry of Defence of the Russian Federation. The overall audience of the website for the period of the games has topped 2 million people, among them over 450,000 in other countries. The Defence Ministry also presented the Games in popular social networking services, Twitter, Facebook and YouTube. The total audience of the official accounts of the Defence Ministry in social networks exceeded eleven million internet users worldwide.

13 events in the Games were held at eleven ranges in three military districts, Western, Southern and Central, from Siberia to Kuban, on territories of eleven constituent territories of the Russian Federation. The games presented 14 field, air and maritime contests. ARMY 2015 featured 57 teams from 17 states, representatives of Europe, Asia, Africa and Latin America. The defence ministries of China and Belarus sent the most representative teams. Chinese servicemen took part in twelve contests of the Games, and Belarusian teams participated in nine contests.

While preparing the events, the Russian Defence Ministry administration focused on the development and improvement of training range facilities. In various regions of Russia, 17 ranges were modernized,



15 shooting ranges, five tank ranges and eight helicopter pads were constructed, over 225 kilometres of asphalt roads were built, and over 500 social infrastructures were erected and renovated for the accommodation of servicemen during the Games and field drills.

More than 200 sets of new training equipment were installed on shooting ranges. A prospective unit of the Klever-D automated complex was installed at the Dubrovichi aviation range for video surveillance and monitoring of target destruction by aircraft, and the fire efficiency data was transmitted to the National Defence Centre of the Russian Federation.

In all, ARMY 2015 engaged 279 pieces of armaments and military and special hardware of the Russian Armed Forces and 158 of the People's Liberation Army of China. Aviation contests involved 54 planes and helicopters of the Russian Air Force, twelve planes and helicopters of the Air Force of the Republic of Kazakhstan, three planes of the Air Force of the Republic of Belarus and two planes of the Air Force of the People's Liberation Army of China. The Caspian Cup contest featured two fast attack craft, Uglich and Grad Sviyazhsk of the Russian Navy, one missile boat of Azerbaijan and one missile boat of Kazakhstan. The total number of team contestants neared 2,000.

The winners were declared in each contest and in team events. The closing ceremonies held at eleven ranges presented 480 sets of medals. The awards were given to teams, crews and specialists that won particular stages of contests. The International Army Games ARMY 2015 Cup was won by the Russian team. The teams of China and Belarus ranked second and third. The ARMY 2015 winners were handsomely rewarded with automobiles and quadricycles.

Speaking at the Games closing ceremony in Alabino, the Moscow region, Russian defence minister General of the Army Sergei Shoigu thanked the contestants for remarkable and fair play, expressed his gratitude to the volunteers and everyone who made the Games a success, and said that the Games were the first but not the last. "Today, as we are summing up results and awarding the winners, I would like to emphasize once again that we would welcome any guest. Anyone who comes here with peace, anyone. We very much want to see you here, at these ranges, on the battlefield of sport and not anything else," Sergei Shoigu said.

The Defence Ministry said after the Games that the facilities built for the contestants would not be idle. According to ministry spokesman Igor Konashenkov, the Games infrastructure will be used "round the clock and all year round."



As to the future of the Army Games, it is quite possible that servicemen from some NATO member countries will participate already next year. The opportunity was affirmed by representatives of Games observer countries, among them Germany. South Africa also expressed its interest in taking part in the Games. Earlier the decision to partake in next year's contest was announced by representatives of Venezuela, Brazil and North Korea.

In the words of first deputy defence minister Arkady Bakhin, the future Games will go beyond the territory of one country. In the future they will become an annual event hosted by different countries if foreign partners are willing to do so. Or the Games can be held in Russia by the Olympic pattern, once in four years.

Some Western media have made a derogatory remark about Russia's Army Games calling them 'eye service'. Yet serious Western observers noted that military

events of this type can help strengthen military-political relations between Russia and other participating countries and boost sales of Russian weapons. For instance, International Institute of Strategic Research (IISS) expert in land army operations Brigadier (retired) Ben Barry told Bloomberg in an interview that ARMY 2015 Games were a positive factor for military cooperation between Russia and invited countries and for the promotion of Russian military products.

This is a convenient opportunity for the Russians to demonstrate their weapons and to prepare the ground for new defence contracts thus confirming the status of Russia as a major actor on the global arms market. Russians were amongst leading manufacturers of tanks and armour and they want to retain their positions. So, these Games are a favourable chance for the Russian defence sector, the Western expert said.

Mikhail Bolshakov



CCI of Russia is a tool to represent business interests abroad

- 12 foreign representative offices of the Chamber covering with its activities 24 countries, and 18 honorary (non-staff) representatives of the CCI of Russia abroad actively promote international integration.
- More than 70 Russian business councils cooperating with foreign states operate at the Chamber.

CCI of Russia is an efficient provider of services needed to business

The Chamber of Commerce and Industry of the Russian Federation renders more than 500 types of services in 19 areas on business protection, development and support:

- Market protection against infringing and adulterated products;
- Ensuring business safety;
- Corruption counteraction;
- Arbitration and mediation;
- Visa support for branches and representative offices of foreign companies;
- Exhibitions, fairs, conventions, business missions, presentations;
- Consulting;
- Marketing and advertising;
- Foreign economic activity support;
- Fundraising;
- Information and communication services;
- Evaluation activities;
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Trade Fair Calendar 2015–2016*

Chemical industry

Khimia / *27–30 October 2015*
Green Chemistry / *27–30 October 2015*
Plastics Industry Show / *27–30 October 2015*
Interlakokraska / *1–4 March 2016*
Tires & Rubber / *26–29 April 2016*

Fuel and energy

Rugrids-Electro
International Electric Power Forum / *20–23 October 2015*
Neftegaz / *18–21 April 2016*
Elektro / *6–9 June 2016*

Machinery manufacturing

Technoforum / *19–22 October 2015*
Inlegmash / *24–26 February 2016*
Metalloobrabotka / *23–27 May 2016*
Lesdrevmash / *24–27 October 2016*

Construction, architecture, design

Mebel / *23–27 November 2015*
Mir Stekla / *6–9 June 2016*

Food industry

Agroprod mash / *5–9 October 2015*
Prodexpo / *8–12 February 2016*

High technologies, telecommunications

Photonics. World of Lasers and Optics / *14–17 March 2016*
Navitech / *10–13 May 2016*
Sviaz / *10–13 May 2016*

Services

STL. Storage Terminal Logistics / *10–13 May 2016*
5pEXPO / *6–8 June 2016*

Advertising and printing equipment

Reklama / *22–25 September 2015*

Health care

Zdravookhraneniye / *7–11 December 2015*
Healthy Lifestyle / *7–11 December 2015*

Fashion industry, consumer goods

Mir Detstva / *22–25 September 2015*
CJF. Autumn / *22–25 September 2015*
Obuv. Mir Kozhi. Autumn / *29 September – 2 October 2015*
Consumexpo / *18–21 January 2016*
CJF. Spring / *23–26 February 2016*
Obuv. Mir Kozhi. Spring / *2–5 March 2016*

Advertising



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* Subject to alteration

All exhibitions are for age 12 and older.
Prodexpo is for age 18 and older.